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FINANCIAL TIMES

Monday May 16 1977

\*\*\*12p



LOVELL for CONSTRUCTION

GENERAL

Five die in air show crash... The parents of the dead... Armed mobs in Italian demos... More violence in Pakistan... London train bomb trial... Briefly... British Airways flights to Greece... Water Authority bills for 3p and 4p... Zaire claimed the Shaba conflict... FT SURVEY... ON OTHER PAGES... For latest Share Index phone 01-246 8026

BUSINESS

Industry urged to link with Europe... LEYLANDS prospects... LORD STOKES is optimistic... CLOTHING INDUSTRY Joint Council... HAYWARD plea on social contract... CONSUMER CREDIT... ICI has received Price Commission approval... COMPANIES... HAMMERSON will continue... GEORGE WIMPEY is confident...

GEC attacks Drax order for Parsons as political

BY MAX WILKINSON... The General Electric Company has reacted angrily to last week's announcement that a £600m. power station is to be ordered two years before it is needed... Mr. Bob Davidson, managing director of GEC Turbine Generators... The industry Department supports the need for redundancies... Damaging... The principle of a rationalised industry was accepted by the Department of Industry following the Central Policy Review Staff (CPRS) report last year...

Tories to press Callaghan on smear

BY RICHARD EVANS, Lobby Editor... THE PRIME MINISTER is expected to be asked for a further explanation by the Conservatives over allegations of a Government smear campaign against Sir Peter Ramsbotham, Britain's outgoing Ambassador to the U.S... The immediate danger for Mr. Callaghan if he declines to make a further statement voluntarily or if it is considered unsatisfactory is that the Conservatives may be tempted to table a censure motion in the House of Commons...

Spain faces more violence this week

BY ROGER MATTHEWS... MADRID, May 15... THE OUTBREAK of widespread violence in Spain's Basque region, which has cost five lives in 72 hours, threatens to continue this week with a general strike and demonstrations... There are said to be 34 remaining Basque political prisoners... The Prime Minister was vigorously attacked by his predecessor, Senor Carlo Arias, yesterday, Sr. Arias was making the first speech of his campaign to be elected a Senator for Madrid...

Ulster strike climbdown causes shifts in parties

GILES MERRITT IN BELFAST... THE ULSTER strike climbdown has caused significant shifts in the political parties... Mr. Paisley's stance... Mr. Baird's rejection of violence... ANXIUS... In a weekend swing on the Loyalist stronghold of Stranmillis... TOP MANAGERS in medium-sized U.K. companies are among the lowest paid in Europe... CONSUMER CREDIT... ICI has received Price Commission approval... COMPANIES... HAMMERSON will continue... GEORGE WIMPEY is confident...

Right to strike for post staff

BY NICK GARNETT, LABOUR STAFF IN BOURNEMOUTH... THE GOVERNMENT intends to introduce legislation which would restore to post office workers the right to carry out industrial action... The union has outlined in a letter from Mr. Eric Varley, Industry Secretary to Mr. Tom Jackson, general secretary of the Union of Post Office Workers... The letter follows discussions between Post Office unions and the Government in the wake of the current case...

U.K. may make only one more drawing on standby

BY SAMUEL BRITTON... THE BRITISH Government is expected to draw a further £200m. or £400m. from the IMF around the end of this month... Informal discussions on these questions will begin with an IMF mission which arrives in London next week... The future of Fund drawings is being considered in Whitehall as part of a much broader appraisal of the future of official foreign currency... The balance of payments is expected to be in surplus for some years...

Loyalty

He recalled that only two years ago, when he was Premier, Senor Suarez had stressed his complete loyalty to the ideological principles of the Franco regime... Senor Torcuato Luca de Tena, who is running with Senor Arias for the Senate, said the Popular Alliance was going to ask the Army to ensure that the new Parliament did not become a constituent assembly... The armed forces were there to maintain the institutional order of the country, he said...

BANQUE EUROPEENNE DE CREDIT BEC Short - medium - and long-term credits at fixed or variable rates in convertible currencies for national and international industrial and commercial investments

Handwritten signature or initials



Monday May 16 1977
BY JAMES FRENCH

TENNIS
Wear entry from...

Drop...
Y DOMINIC...

ino
With...

**Boston music**

## Roger Sessions's Requiem

by ANDREW PORTER

Last year on this page Max... he breaks the text into 11 numbered sections related to how Roger Sessions's Requiem... which had left little mark on him when played in Cheltenham...

At this point in Hindemith's setting a hazy sound of the American counterpart of the Requiem... in Sessions's Requiem, it is something strange... The Requiem... and the Requiem... and the Requiem...

The Entertainment Guide is on Page 28

pected in 1966, waited eleven years for a New York premiere... then it was done by the Juilliard (student) Orchestra...

By musicians who know Sessions's work well, he is valued perhaps above all other living composers... The Requiem... and the Requiem... and the Requiem...

The Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem...

**Royal Opera House Jubilee Gala on BBC-2**

BBC-2 will carry the whole of the Queen's Silver Jubilee Gala... on Monday May 22nd...

The Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem... and the Requiem...



Two Lises—Brenda Lee dressed for the part which she danced for the last time in London last week-end, and Galina Samsova, making her debut

**Sadler's Wells Theatre**

## La Fille mal gardée

by CLEMENT CRISP

Two performances of La Fille mal gardée... at the Sadler's Wells Royal Ballet at the week-end... brought a first and a last appearance...

The first was Galina Samsova's metropolitan debut as Lise... and it would be hard to imagine a more delightful or winning interpretation... She showed us a Lise of un-

Elizabeth Hall

## Nelson Freire

by DOMINIC GILL

Nelson Freire (b.1944) is an interesting, scrupulous and well-schooled pianist, gifted with an enviable technique who displays in his playing little of the impetuous temperament of his native Brazil...

He began his recital yesterday afternoon... in the Elizabeth Hall... with an account of Cesar Franck's Prelude, Chorale

Theatre Royal, Newcastle

## Samson and Delilah

It was on December 2, 1877, that Samson and Delilah was first staged... secured for production there by Liszt...

For Malcolm Fraser's production, impressively designed by Eric Briers, the Theatre Royal stage is open right to the stage...

Aldwych

# Destiny

by JEREMY KINGSTON

From last year's Stratford season at the Other Place comes this play of political sophistication and dramatic force... David Edgar makes this no arid polemic, however, but peoples his stage with characters imagined in depth...

Every scene forwards the political action... when the Tory MP for a Midland town dies the by-election is fought by the dead man's nephew (Paul Shelley), by a Labour candidate (Paul Moriarty) of strong anti-racist opinions...

The author has set aside the forbidding agitated structure of some of his previous plays... substituting for this, as the programme remarks, recognisable people moving through explicit social history... Mr. Edgar's own extreme Left but his dramatic statement of constituency concerns exercising political Britain has truth and balance...

Wigmore Hall

## Jumez & Rabbath

by DAVID MURRAY

Jean Pierre Jumez and Francois Rabbath appeared together... or rather successfully, in a very long programme on Saturday night... M. Jumez and his guitar offered half a recital, and M. Rabbath and his double bass another half; the superfluous fraction which ensued was M. Rabbath's Concerto for Guitar and Bass...

Local authorities

### spending on the arts

Local authorities in England spent an estimated £26m. on the arts and museums in 1974-75 financial year, according to an Arts Council survey...

The Arts and Museums 1974-75. Information was provided by over 70 per cent. of the counties, London borough and metropolitan districts, and nearly 70 per cent. of non-metropolitan districts...

Extracts from the Annual Report 1976

As a private German merchant Bank, we have continued to provide services primarily to medium sized and large manufacturing and commercial companies, domestic and foreign institutions, and a select group of investment oriented private customers.

Services were given special attention. Interest differential business was expanded where an acceptable return could be realized.

Operating expenses were lower, despite slightly higher personnel expenses.

We are satisfied with the results for reporting period.

Balance Sheet as of December 31, 1976

Summary	
	1976 in DM
<b>ASSETS</b>	
Cash and due from Deutsche Bundesbank and Deutsche Bundespost	218,686
Checks, interest coupons, dividend warrants	25,599
Bills	208,638
Claims on credit institutions	800,196
Bonds	485,155
Other securities	26,428
Claims on customers	1,349,220
Loans on trust basis	16,636
Participations	132,568
Land, buildings and equipment	13,593
Other assets and prepaid expenses	32,218
<b>Total assets</b>	<b>3,308,937</b>
The Annual Report 1976 will be available upon request:	
Trinkaus & Burkhardt, Königsallee 21/23, 4000 Düsseldorf 1, W-Germany	
<b>LIABILITIES</b>	
Obligations to customers	1,521,122
Obligations to credit institutions	1,485,914
Own acceptances	63,917
Loans on trust basis	16,636
Provisions	55,573
Other liabilities	3,125
<b>Capital</b>	<b>162,650</b>
<b>Total liabilities</b>	<b>3,308,937</b>
Endorsements of bills rediscounted	146,045
<b>Guarantees etc.</b>	<b>385,663</b>
<b>Total volume of business</b>	<b>3,840,645</b>

**Trinkaus & Burkhardt**

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WORLD TRADE NEWS

U.K. clothing industry to strengthen Euro council

BY RHYS DAVID

THE NEW representative body clothing to Britain, the British Clothing Industry Council, is expected to approve an emergency action this week aimed at ensuring that the U.K. continues to be represented at important European discussions covering the sector.

The Council, which was formed after this year, is expected to see at a meeting in Leeds to see under its wing the Clothing Industry Council for Europe (CICE) which has been faced with the possible winding-up of the ECCE, which represents Britain in AEIH (the European Association covering clothing, textiles and fashion) in the European industry over the role and work of the European Federation of Clothing Industry.

Third world fails to agree joint MFA stand

By Philip Bowring

HONG KONG, May 15.

A WEEK long seminar of textile trade officials from a number of developing countries which export textiles ended here on Friday. The seminar, sponsored by the Commonwealth Secretariat but including non-Commonwealth countries such as Thailand and South Korea, discussed major issues involved in the registration of the Multi-Fibre Textile Agreement (MFA).

VIDEO-TAPE RECORDERS

Battle lines are drawn

BY CHARLES SMITH, FAR EAST EDITOR

LAST WEEK Matsushita Electric announced its definitive entry to the video-tape recorder (VTR) market in Japan with its decision to market a new home-use VTR system. This means that all the main contenders in the VTR market have now declared their positions.

The VTR is regarded as the next major consumer electronics "buy" in Japan and is definitely not expected to be limited to the luxury or specialist market.

Danes to compete on ship credits

By Hilary Barnes

COPENHAGEN, May 15. THE DANISH GOVERNMENT is prepared to provide shipyards with credit facilities to match those of competing foreign yards, according to Trade Minister Ivar Noergaard.

So far Denmark has not subsidised its shipyards in any way other than to provide credit facilities which are in line with arrangements approved by the OECD.

Decision soon on Austro-Porsche

BY PAUL LENDVAI

VIENNA, May 15.

THE CONTROVERSIAL project of erecting a major car production plant in Austria in co-operation with the German Porsche company has entered a decisive phase with Austrian Chancellor Dr. Bruno Kreisky apparently joining the advocates of the project.

In the opinion of Dr. Geist, OIAG (the nationalised sector) would be satisfied with only a minority interest while Porsche could hold about 13 per cent with the rest divided among various foreign partners.

Weldit UAE venture

FINANCIAL TIMES REPORTER

LDIT ENGINEERING of Abu Dhabi is involved in setting up a "multi million pound company" in the United Arab Emirates called the National Emirates Fabrication Company (NEFCO) and registered in Um Al Quwain.

EEC biscuit tax threat

FINANCIAL TIMES REPORTER

A 10 per cent drop in biscuit prices—following the imposition of this week of Common Market Monetary Compensation Quotas (MCA's) was forecast by Mr. Bill Bowman, chairman of the Cake and Biscuit Alliance.

Contracts

Japco had signed long-term contracts to supply metallurgical coal to two Japanese steelmakers. The products division of the company says should see more than \$400m. in sales over 12 years.

The advocates of the project argue that it could provide jobs for 7,000 to 88,000 people and bring directly or indirectly foreign exchange savings to the tune of Sch.2.9bn. to Sch.4bn. annually.



GAS-THE FUEL IN THEIR FUTURE.

Were lucky in Britain, we have vast reserves of natural gas in the North Sea—enough to supply our essential needs for decades to come.

their homes and cook their meals.

But the best is yet to come. Because, as more gas becomes available, the benefits will continue to grow.

Provided we continue to use it wisely, natural gas will continue to serve our children for decades to come.

GREAT GAS SAVE IT FOR GREAT BRITAIN!

BRITISH GAS

World Economic Indicators

Table with columns for Country, Retail Prices (April 77, Mar 77, Feb 77, Jan 77, Dec 76, Nov 76, Oct 76), Change on year, and Index base year.



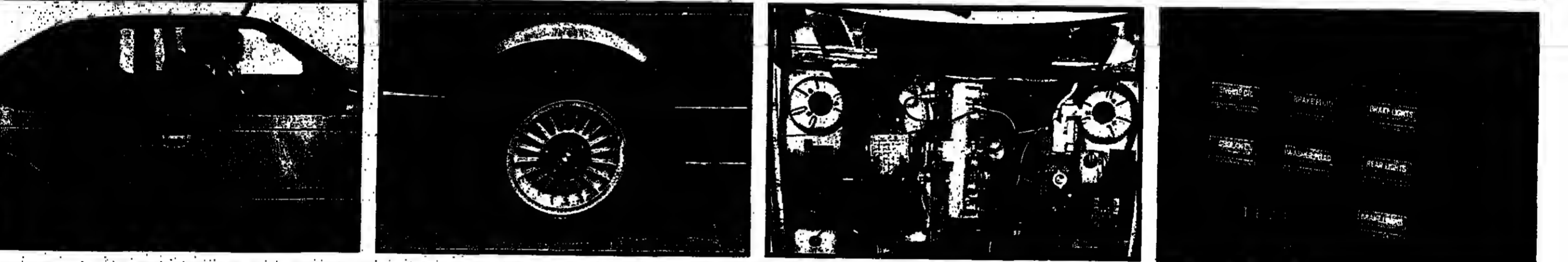
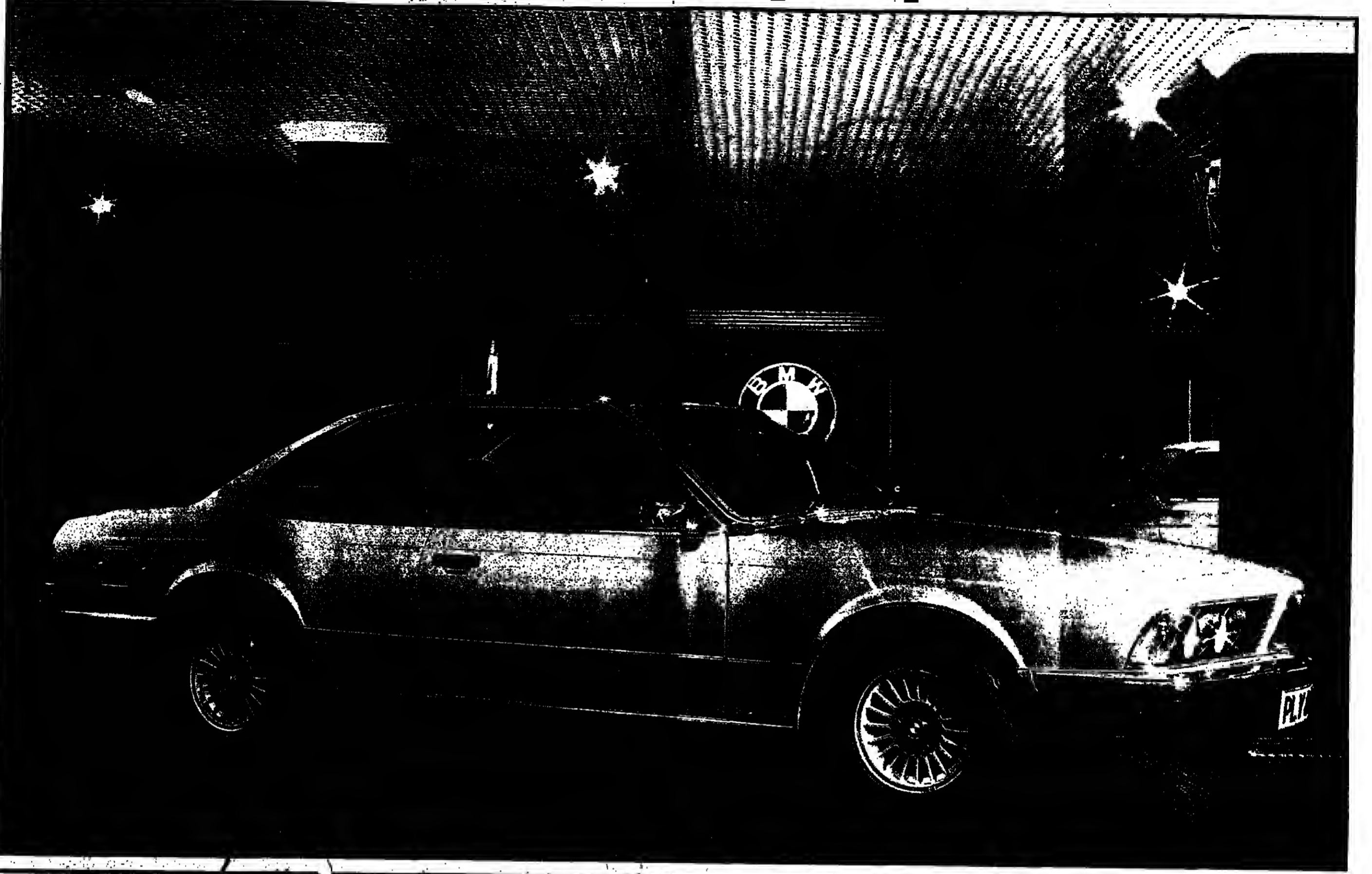






Joy in 1977

# The new BMW 633 Coupé reflects the qualities that make people successful.



The 633 Coupé will inspire its owner with a very particular feeling and a reassurance that even in these difficult times things could be worse.

There are several reasons for this. The Coupé has a unique style, an elegant look of purpose and power. The 3.3 litre, six cylinder engine produces 200bhp. Maximum speed is 134mph. Yet the ride is so effortless that even when the Coupé is being driven fast all you're aware of is the ease with which the power is handled.

Unlike some cars called 'Coupés' the 633 has room to spare for four adults. The leather and velour seats are biomechanically designed for comfort and real support. The front two are not only adjustable for angle and reach but also for height. This ensures that there's plenty of

legroom available in the back.

Detailed attention has been given to the driving position. As with the seat, the steering and pedal positions are adjustable. The control panel 'wraps around' the driver to give the quickest and easiest display and operation. All round visibility is excellent. The feeling the driver has is one of complete command of car and road—a feeling justified by the car's performance.

The balance of speed, handling and comfort is complemented with features like speed-related power steering, electric windows and mirror, tinted glass, head restraints and automatic or manual transmission as standard.

The Coupé also incorporates several highly sophisticated safety systems such as the

driver's safety check panel, where at the press of a button he can check on seven major safety functions of the car. If the worst should happen the Coupé will absorb impact energy in a pre-planned way to give maximum security.

However the main safety feature lies in the car's immediate and exceptional response to the driver. This gives more options in critical situations.

All these factors ensure that the Coupé succeeds in its ultimate purpose—to make every journey fast, safe and effortless to a degree never achieved before. They also make the Coupé one of the world's most pleasurable cars to drive.

So when you next see the BMW 633 Coupé, you might recall the old adage that nothing succeeds like success.

**Specification Resumé For Manual Version.**  
BMW 633 CSI Coupé. Engine 3210cc, six cylinder, fuel injected producing 200bhp.  
Performance: Maximum speed 134mph. 0-60 in 7.6 secs.  
Petrol consumption: 26mpg (28mpg at constant 62mph).

**Price.**  
£14,799 (Manual or automatic. Price correct at time of going to press)



## For the joy of motoring.

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MONDAY, MAY 16, 1977

French steel's economic and political stresses

By DAVID CURRY in Paris

Drax is not the issue

THE GOVERNMENT is in danger of making a very serious mistake over the future of the turbine generator industry.

Lobbying

The industrial background is clear, though in danger of being obscured by the lobbying activities now in progress.

Guarantee

There are bound to be difficulties over valuing the Parsons business, but these should not be insuperable.

Preparations for Geneva

ISRAEL and the Arab states are gradually preparing their positions for the holding of a peace conference in Geneva by the end of the year.

Balance

Nevertheless, the possibility of a rapprochement between Cairo and Moscow is encouraging.

Erosion

Israel is keenly aware that the Arabs can bring great pressure to bear on the U.S.

It is a view often held in the U.K. that whereas British industry seems to lurch from one well-publicised crisis to another, French industry, thanks to a process of institutionalisation...

This belief will have to be revised as the list of French casualties of the recession grows longer without any evidence that French economic management has a more effective answer than anyone else's.

Paper and board, fertilisers, aerospace, shipbuilding, maritime transport, and textiles have all been promised particular Government attention.

Steel, which has remained entirely in private hands, is a very political problem.

Election prospects

Even among the Government coalition partners the Gaullist RPR is alarmed at the consequences of pre-electoral redundancies in the fact limited to around 4,000 of which more than half will be immigrant workers.

France ranks as the world's sixth largest steel producer. A workforce of around 133,000 last year made 23.2m. tonnes of steel representing two-thirds of capacity.

MEN AND MATTERS

Fair to be Rolls less?

Despite the extravagant nature of the product, I imagine that any word association test starting "motor car" would be met with the response "Rolls-Royce" in a large number of cases.

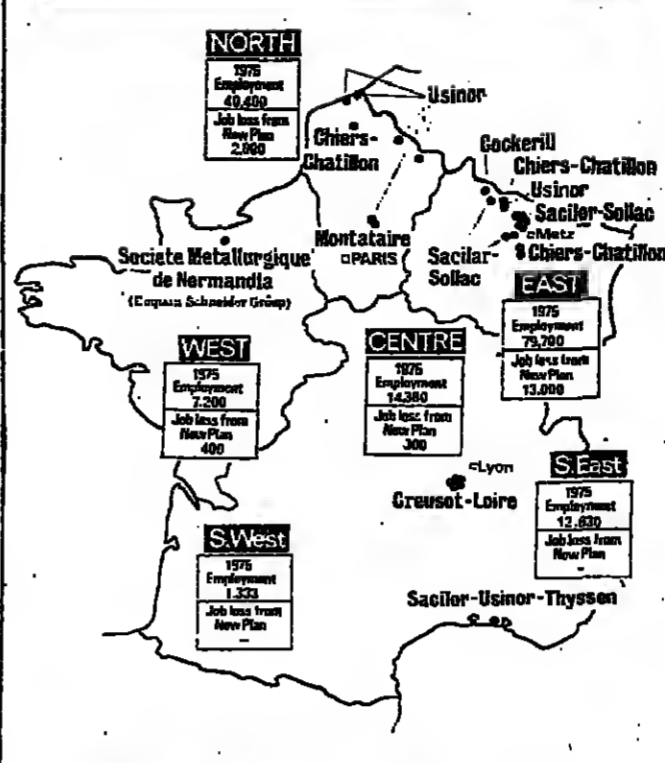
The Motor Show proper, organised by the Society of Motor Manufacturers and Traders, is a manufacturers' show.

Poll jokes

Israel's election campaign has been characterised not only by a profusion of parties (no less than 22, including a "women's list" and a one-man party set up by a financier whose extradition is being sought by the French authorities) but also by the development of a variety of gimmicks.

David Plastow, group managing director of Rolls, is also president of the SMMT, but Martin Burgess, exhibition manager at Earls Court, says he accepts there is nothing sinister in the company's decision.

FRANCE'S MAJOR STEEL PLANTS & JOB RUNDOWN



THE GAME-PLAN FOR FRENCH STEEL

Table with columns for years (1976-1980) and rows for Investments, Debt, Financial charges, Total net resources, Steel output, Price index, Turnover, Gross margin, Net margin.

companies reflecting the extreme difficulty of persuading the Government to tolerate redundancies.

At their lowest, orders sank to little more than a half of 1974 levels in France, while home and export prices, according to the steel federation, fell to 80 per cent of the level of the final quarter of 1974 and are still little over the 1974 final-quarter level in spite of an increase of a third in costs.

The world recession struck the industry in 1975, before it was fully benefiting from its modernisation, with about a quarter of its capacity produced in obsolete plant, and carrying too large a workforce measured against international standards.

Butler's back

In 1970, Plessey ventured into the U.S. by acquiring a rapidly growing electronics company, with the unusual name of Alloys Unlimited.

Leg up

Bermundsey sbop sign: "These trousers will look a lot better on your legs than on our hands."

follows the financial, social and industrial undertakings laid down by the main groups controlling the steel industry will have to deposit part of their shares with a Government agency as guarantee, and, eventually, a profit-sharing scheme must be negotiated with workers.

Implementation of the whole scheme depends on the industry's reaching agreement with the unions on early retirement, redeployment of workers, general compensation and redundancies, while the industry must also help small companies set up in the areas hit by redundancy.

The Government itself has extended the areas qualifying for maximum regional aid, has promised a special effort to introduce new industry, and, in particular, has said that expansion of the motor industry will be directed towards Lorraine (in the case of Renault and Peugeot-Citroën) and the Nord (for Simca-Chrysler).

The only specific concession M. Barre made to his critics was to ask Usinor to review the decision to close the recently modernised blast-furnace at Thionville, a Lorraine town which depends entirely on steel and which, at the local elections in March, elected a Communist mayor for the first time.

Three-quarters of the job loss will come through retirement of men aged 56 years and eight months or over; voluntary redundancy and some job reallocation.

The latest plan is intended to complete the modernisation of the industry without raising capacity. Aware of the impact on the electoral climate of the loss of jobs which will fall almost entirely in Lorraine and the Nord, but refusing to dodge the need to shed labour, the Prime Minister has attached conditions to the State aid to accompany the modernisation.

The industry itself must make a parallel financing effort, an inter-ministerial committee will make sure that the industry follows the financial, social and industrial undertakings laid down by the main groups controlling the steel industry.

for profits rising from Frs. 1.6bn. to Frs.3.4bn. in 1978 and to Frs.4.4bn. in 1980. A return to profits presupposes higher prices for steel or an improving market. The scenario here is for output of 23.5m. tonnes in 1977 to rise to 28.5m. by 1980 with peak capacity of 32m. tonnes in 1983. Prices will rise by 24 per cent over the next two years and by 30 per cent over the next four, steel federation hopes, translating into an industry turnover of Frs.56.5bn. and cash-flow of Frs.9bn. in 1980.

Pacific markets in mind? It's NBNZ time

Whatever kind of business you are thinking of doing in the Pacific area you have to get used to a difference in time. One that means it can be tomorrow here when it is still today in the Pacific.

The National Bank of New Zealand. Our experience goes back more than 100 years, and we have branches throughout New Zealand, offices in Tokyo, Singapore, and Manila and our main London office is in Moorgate.

Handwritten scribble at the bottom of the page.

# FINANCIAL TIMES SURVEY

Monday May 16 1977

# South Korea

Apart from some anxiety about relations with the new U.S. Administration and the coming withdrawal of American ground forces, South Korea has much to encourage it. The economy continues to flourish, led by a thriving export trade, and prospects in that field are bright, given maintenance of reasonable access to world markets.

## Standing on its own feet

By Douglas Ramsey

SOUTH KOREA'S bubble has not burst. In 1976 the Korean economy enjoyed an export boom: it still does. American troops were in the Republic: they still are. Korean borrowers could pay less for their money overseas than ever before: they still can. In short, Seoul can still count on the 1976 economic success without unduly worrying about the new American administration in Washington.

That is not to say that fundamental changes are not taking place in South Korea, because they are. President Carter has made it clear that he plans to withdraw American ground troops from the peninsula over a five-year period. Seoul has been given repeated guarantees of continued American air presence after that, but President Park Chung Hee must now cope with the fact that American lives will no longer be directly at stake in the event of an attack from North Korea. The prospect is still abhorrent to Mr. Park and his advisors, but few experts

think the protracted withdrawal of perhaps 32,000 men will occasion any strategic imbalance between north and south.

Besides, Mr. Park had already laid the groundwork, before Jimmy Carter's election, for a more self-reliant defence capability. Seoul no longer gets military grant assistance from the U.S. and is moving rapidly to shore up its own defence industry by making its own defence industry. "Everything but aeroplanes and nuclear bombs," the defence industries are slow off the ground, but South Korea's steel and machinery industry will speed development once the final defence blueprint is inked in later this year. And if present forecasts hold true, all this will be done without greatly increasing the present 6.3 per cent of GNP which goes on defence.

## Larger

Since GNP is supposed to rise by 10 per cent to over \$30bn. this year, and by 9 per cent in each of the following four years, it means similarly rising defence expenditures, which Seoul feels cannot be helped. Moreover, they will probably grow to a larger share of the Government's budget than the 35 per cent in 1977, leaving less room for some budget items which are in bad need of expansion, notably health and social welfare. But given President Park's ability to turn in a budget surplus in 1978 after three longer be directly at stake in the event of an attack from North Korea. The prospect is still abhorrent to Mr. Park and his advisors, but few experts

So if the economy grows as predicted, Seoul should have no trouble financing its defence (though arms buyers are already out searching for credit on some large weapons purchases due in 1978, possibly from European suppliers). Assuming, moreover, that Korea's strength at the end of the American troop pullout is substantially greater than North Korea's, it is doubtful that even Mr. Kim Il Sung in the north would be foolish enough to attempt a war. Washington appears convinced of this, and may attempt to "guarantee" the peace by a limited amount of diplomatic banter with Pyongyang. Seoul is positively disgusted at the prospect, but even its objections could be overridden: if diplomacy gets Pyongyang back to the conference table (suspended since 1973) in the hopes of writing a mutual non-aggression pact, proposed by President Park last January.

The earlier trauma in Seoul about President Carter's thoughts on ground troops has died down, but not so the underlying antagonism over the American leader's vocal defence of human rights. Seoul and Washington are still at odds over Mr. Park's treatment of political opponents inside South Korea, which the Carter Administration clearly views as a breach of human rights. But neither side has moved to a confrontation yet, leading some observers to deduce that there will not be one.

The U.S. Embassy has perhaps stepped up its contacts with opposition figures, primarily among intellectuals, but it still uses "quiet

diplomacy with the Park regime (so quiet, indeed, that some critics have called it "mute"). Mr. Park, for his part, has neither let up nor clamped down on his opponents since Mr. Carter's inauguration; or to put it more accurately, he has done both. The reduction of some prison sentences, including that of former presidential contender Kim Dae Jung, was followed by a crackdown on supporters of a new human rights declaration to commemorate the Myongdong declaration, which landed Mr. Kim and others in jail last year. "It blows hot and cold," says one student of political repression, and so far there has been no extreme swing in either direction. So by and large Mr. Park and Mr. Carter, without saying so, seem to have reached a sort of *modus vivendi*, and the Administration's refusal to let Congress tie further military appropriations to some gesture by Seoul on human rights has left officials in Seoul with an easier feeling about Mr. Carter than they had in January.

## Persists

The status quo in Korean-American relations is better than many were expecting up 47 per cent on a year ago after the rash of disclosures about Korean CIA activities in Washington and the early in 1976), and whereas \$10bn. Carter statements on troops may still not be enough to cover and human rights. Friction all South Korea's imports, the persists, but it may be that country will have at least the worst is over, and the sign of relief is most audible among foreign bankers who have been in cautious since January about balance of payments account, lending to South Korea. Caution is still there, but if enough in the way of technical assistance commissions, earn-

ings repatriated from the Middle East and actual exports to offset the 1976 oil bill of \$1.5bn. But there is a real chance which Seoul does not boast about for political reasons) that the trade account will be in balance, too, as Korean exporters rush to supply goods for the estimated \$2.5bn. worth of Middle East construction contracts awarded to Korean companies in 1976. Contracts in the first quarter of 1977 kept up (\$880m.), and that it can get more than half its 1977 borrowings on medium- or long-term from official lenders.

If doubts over Korea's security had continued to make bankers jumpy, as they were in January and February, it would have tarnished Seoul's credit rating, which emerged from 1976 stronger than ever before. Similarly, had Washington gone for a showdown on human rights, and resorted to some sort of economic arm-twisting, the momentum carried over in the Korean economy would have faltered. Indeed, the bubble might have burst.

The evidence of the first quarter of 1977 points to a continued export boom, with sales after the rash of disclosures about Korean CIA activities in Washington and the early in 1976), and whereas \$10bn. Carter statements on troops may still not be enough to cover and human rights. Friction all South Korea's imports, the persists, but it may be that country will have at least the worst is over, and the sign of relief is most audible among foreign bankers who have been in cautious since January about balance of payments account, lending to South Korea. Caution is still there, but if enough in the way of technical assistance commissions, earn-

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## Lobby

South Korea still depends on America and Japan to take most of its goods, and as a result there are plenty of worries about protectionism. Officials have been out of the country almost incessantly to lobby for free trade, with some success. But Korea still thinks it has a raw deal in the GATT Multifibre Agreement, and the U.S. has now served up an ultimatum that Korean footwear exporters conclude an orderly marketing agreement or face exclusion via unilateral controls. Meanwhile, Seoul is studying whether to liberalise its own imports under international pressure, but has reached no decision yet.

Seoul is particularly wary of Japanese intentions in the trade field these days, not because Japan wants to take fewer Korean goods but because Tokyo seems too ready

to agree orderly arrangements in overseas markets which, Seoul fears, will "freeze" not just the level but the composition by origin of the imports. Since Korean exporters tend to compete directly with the Japanese abroad, in electronics for instance, such arrangements are liable to "freeze" Korea's share of an import market before it actually has the time to get a fair (that is, big) share. This sort of apprehension is now common among officials and traders, and is not helped by continuing feuds over the disputed Tokdo Island and the Japanese Parliament's refusal to ratify a 1974 agreement for joint oil exploration on the continental shelf between the two countries. (Seoul has now threatened to go ahead and explore on its own if Japan's Diet does not ratify by the end of May.)

Protectionism is only one, albeit major, constraint on how fast South Korea grows in the future. Certainly Seoul has given up the idea of trying to mimic Japan's decade of 20 per cent-plus growth a year in the 1960s and early 1970s, however tempted Korea might be to wish it were so. But Japan's foreign trade grew by leaps and bounds because Japan managed to develop new consumer markets in a world of relatively free trade and subsidising import barriers. South Korea in the 1970s and 1980s must contend with the concept of "free but fair trade" as Europeans put it, which really means balancing its trade books with countries where imports cause economic hardship. In that atmosphere, already done with Japan's textile industry.

## BASIC STATISTICS

Area	38,022 sq. miles
Population (1975)	34.66m.
GNP (1975)	8,080bn. won
Per capita	261,982 won
Trade (1975)	
Imports	3,521bn. won
Exports	2,459bn. won
Imports from U.K.	152.6m.
Exports to U.K.	174.5m.
Trade (1976)	
Imports from U.K.	163m.
Exports to U.K.	113.6m.
Currency: Won	1=832 won

Nor will South Korea's exports be made any easier with time. Per capita income is still low at \$898 last year and the population is growing at 1.7 per cent a year. In the next five years the workforce will probably grow by about 3 per cent, a year to cater to the Korean war baby boom, so the country will have its hands full just creating new jobs. Yet job creation (that is, pushing labour-intensive industries) may prove detrimental to Korea's export targets, which call for rapid advance into new-technology industries with higher value-added content than Korea exports today. Coalescing the two goals will be made more difficult as wages increase and less developed countries start banging on South Korea's industrial back door—as South Korea has already done with Japan's textile industry.

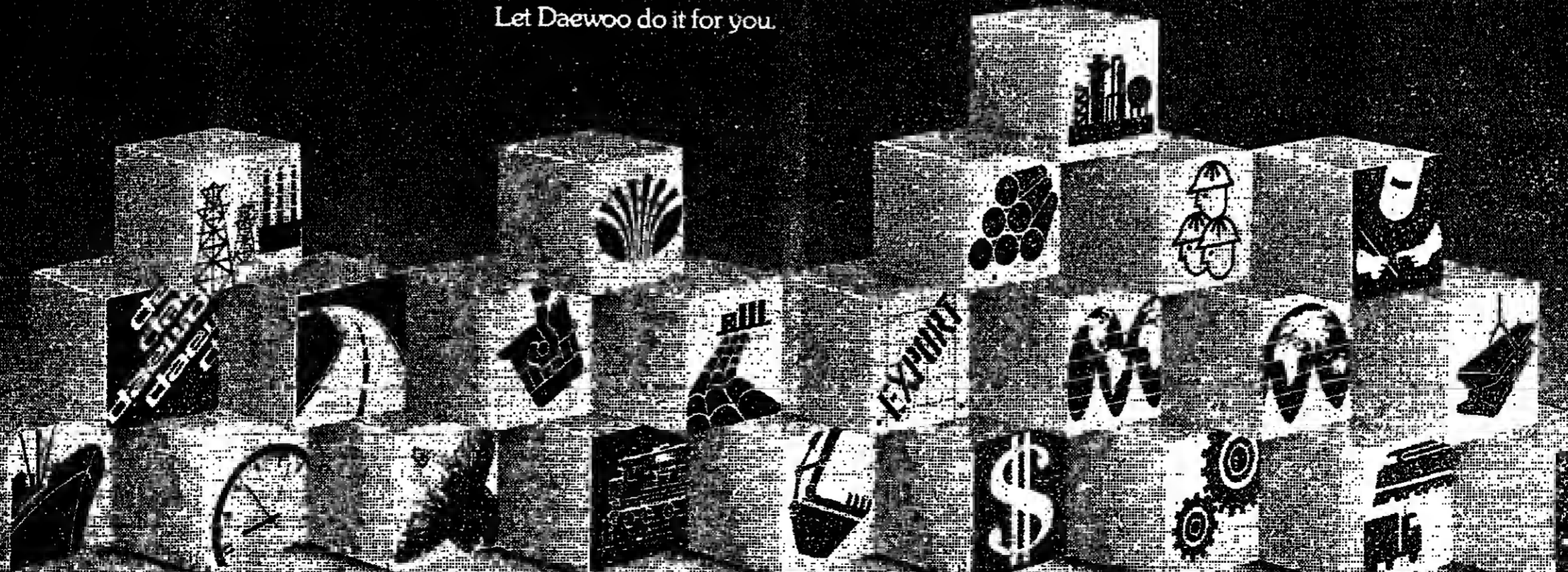
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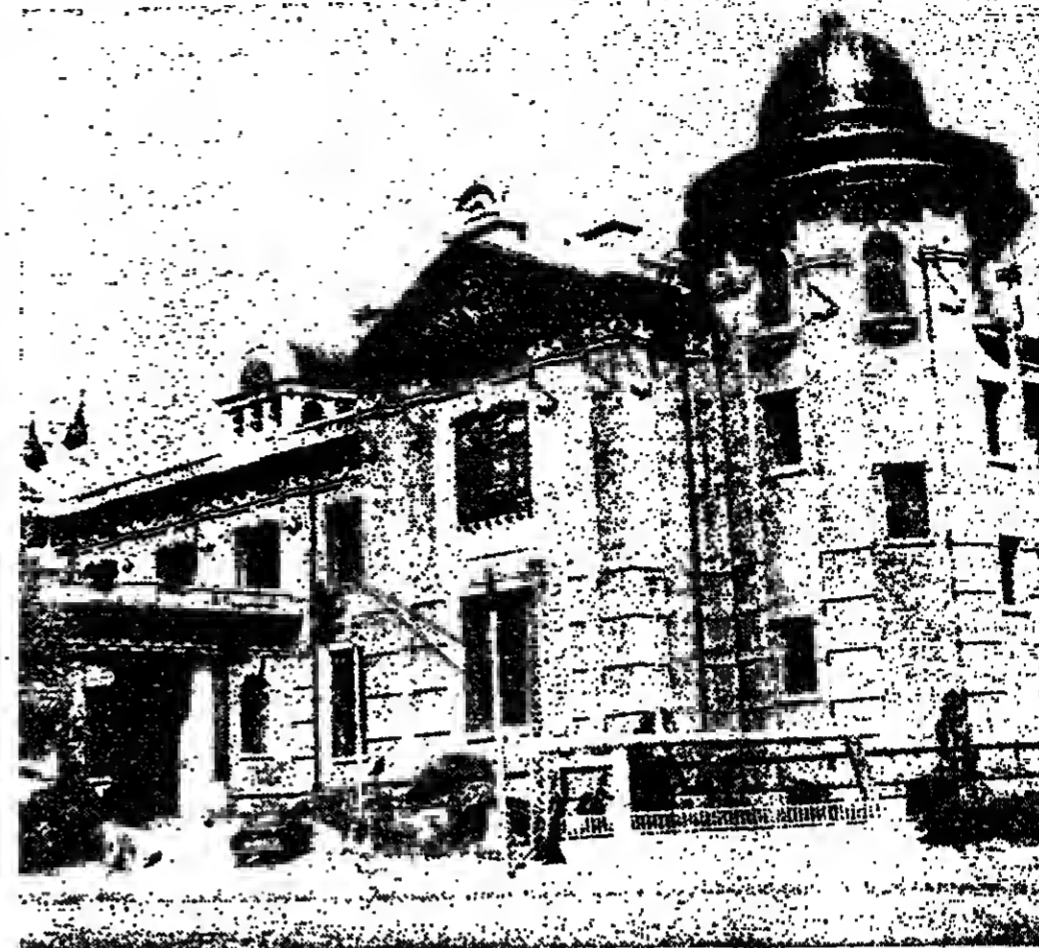


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SOUTH KOREA II

# Banks expand rapidly at home and abroad



The Bank of Korea in Seoul.

A continuous drive is being made by all banks to induce more deposits, which at the end of January last had grown by 25 per cent., compared with the previous January. Deposits outstanding at all deposit banks — excluding the Korea Development Bank and the Export-Import Bank — totalled Won 3,780bn. (£1,53bn.).

A total of Won 16,950 (£20bn.), which represents 92 per cent. of the investment needed under the fourth five-year economic plan (1976-81) is planned to come from domestic savings. South Korea will count on foreign loans and equity investors for the remaining 7.6 per cent.

## Complicated

South Korea's interest rate structure is one of the most complicated in the world, and a foreign bank branch is required to follow the same rates as the Korean banks.

Basically, the rate on time deposits maturing in more than a year as fixed by the Monetary Board is 16.2 per cent. a year for lending, the general rate 17 per cent., with 19 per cent. for overdrafts.

In a move to reduce the impact of high interest rates on industry, a prime rate system was adopted last year under which best clients are offered rates one percentage point lower than normal. In addition, concessional rates are applied to various industries. Export industries in general are entitled to short-term loans at 8 per cent. to meet domestic fund needs and foreign exchange loans charged with 2.5 per cent. spread over the going Eurodollar rate to finance imports of raw materials needed for export manufacturing.

Authority over the bank community in Korea lies principally with the Bank of Korea, the central bank. Its primary function is credit control by means of reserve requirements, bank rate and open-market operations. It is, however, virtually subordinate to the Ministry of Finance, as is the case in Japan. The Finance Minister chairs meetings of the Monetary Board, set up under the Bank of Korea Act as the supreme policy-making organ for the Korean banking system.

Samuel Kim  
Seoul Correspondent

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RAPID EXPANSION and growing accommodation for foreign banks characterise South Korean banking, which is playing a vital role in the country's industrial development plans.

Growth of Korea's banking institutions has taken place both at home and abroad. In the past year four new banks were created, while existing banks increased their capital base.

The new institutions are (1) the Export-Import Bank of Korea; (2) Korea Associated Finance, a merchant bank incorporated in Hong Kong; (3) Korea Merchant Banking Corporation (KMBC), a 50-50 joint venture between Lazard Brothers of the U.K. and a group of Korean industrial companies; and (4) the Korea-Kuwait Banking Corporation, a joint-venture merchant bank between the Kuwait Financial Centre and Korea's Hyundai Group.

### Exports

The Export-Import Bank, inaugurated last July with an initial capital of 55.8bn. won (£66m.) put up jointly by two State-owned banks, the Bank of Korea and the Korea Exchange Bank, aims mainly at financing medium- and long-term credit exports.

Most of its loan funds have so far been used to finance the export of ships built in Korean shipyards, mainly for European owners. In the future, equipment such as railway rolling stock and various kinds of plant are expected to require increased export financing. The Government recently approved the bank's plan to increase its total loan fund available this year to 260bn. won (£313m.) in order to meet rising demand. This represents 110bn. won more than originally allocated for this year.

The bank also finances imports of such key raw materials as scrap iron, copper, timber and rubber.

In addition to the three merchant banks created so far, at least two more are planned to be set-up overseas this year, including one opening in New York by August and the other to be established in Brussels jointly by the Korea Exchange Bank (KEB) and La Banque de Bruxelles Lambert. KEB is also

known to be planning another merchant bank in London. It has already created a merchant banking department in its London branch apparently to pave the way for a separate venture later.

On the other hand, at least two more foreign banks are scheduled to open branches in Seoul, bringing the number of foreign banks operating in the capital to 13. Lloyds Bank International of the U.K. and the Amex Bank of the U.S. were recently granted business licences by the Ministry of Finance.

Two or three other foreign banks, including the Continental Bank of Illinois, are reporting considering branch operations in Seoul too.

### Foreign

The first foreign banks to come in were Chase Manhattan of the U.S. in July, 1967, and the Chartered Bank of the U.K. seven months later. The other nine operating in Seoul with one branch each (no more is permitted) are three American banks, the Citizens National (Citibank), Bank of America, Bank of First National Bank of Chicago; four Japanese (Bank of Tokyo, Mitsubishi Bank, Dai-Ichi Kangyo) and two French (Banque Nationale de Paris and Banque de Indosuez).

On the domestic side the mainstay of commercial banking is the five city banks with national networks which all underwent expansion last year. Issued capital of the Chobeung Bank, for instance, has been raised from 15bn. won to 25bn. won (£30m.). The largest commercial bank is the Bank of Seoul and Trust financing long-term development Company, which came into being last August through the merger of the Bank of Seoul and the Korea Trust Bank. Its paid-up capital is 28.1bn. won was set up in 1967 to deal with the three other city all foreign exchange services banks are the Hanil Bank, the Korea First Bank and the Commercial Bank of Korea.

The five banks, partly owned by the State to the extent of between 25 and 33 per cent., represent more than a half of the country's banking market in terms of deposits. The Government, which exercises virtually full control through its dominant equity holdings, is pushing a plan to double their authorised capital to an average level of 50bn. won (£70.2m.) each within a year.

Besides the nationwide commercial banks, there are 10 privately owned provincial banks, relatively new and limited largely to their respective areas in business jurisdiction. At the end of January last, these local banks held 11 per cent. of the domestic deposit market.

An unusual feature of the Korean banking system is the existence of special banks wholly owned by the State. Created to meet special needs in major development areas, they include the Korea Development Bank, the Korea Export-Import Bank, the Korea Housing Bank, the Korea Industrial Bank, the Korea Agricultural Bank, the National Agricultural Bank, the National Fisheries Bank, and the National Fisheries Co-operatives (CFCC).

These banks are responsible chiefly for providing medium- and long-term loans to industry, agriculture and fisheries at preferential interest rates. Out of a total 4,530bn. won in outstanding loans through merger or increase in paid-up capital, the special-purpose banks of the Chobeung Bank, for instance, has been raised from 15bn. won to 25bn. won (£30m.).

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# Lloyds Bank Group in Seoul.

Lloyds Bank International, the international bank in the Lloyds Bank Group, are pleased to announce that the opening of their branch in Seoul will take place during June 1977.

The new branch will provide a full range of banking services and will be responsible for the development of all aspects of the international business of the Lloyds Bank Group in the Republic of Korea.

Lloyds Bank International handles eurocurrency finance and has assisted Korean borrowers in financing their trade and capital investment projects.

The Lloyds Bank Group already has branches and offices throughout Western Europe and Latin America in addition to a strong presence in the Pacific Basin and the United States.

For further information, please contact our Far East Division in London.



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SOUTH KOREA III

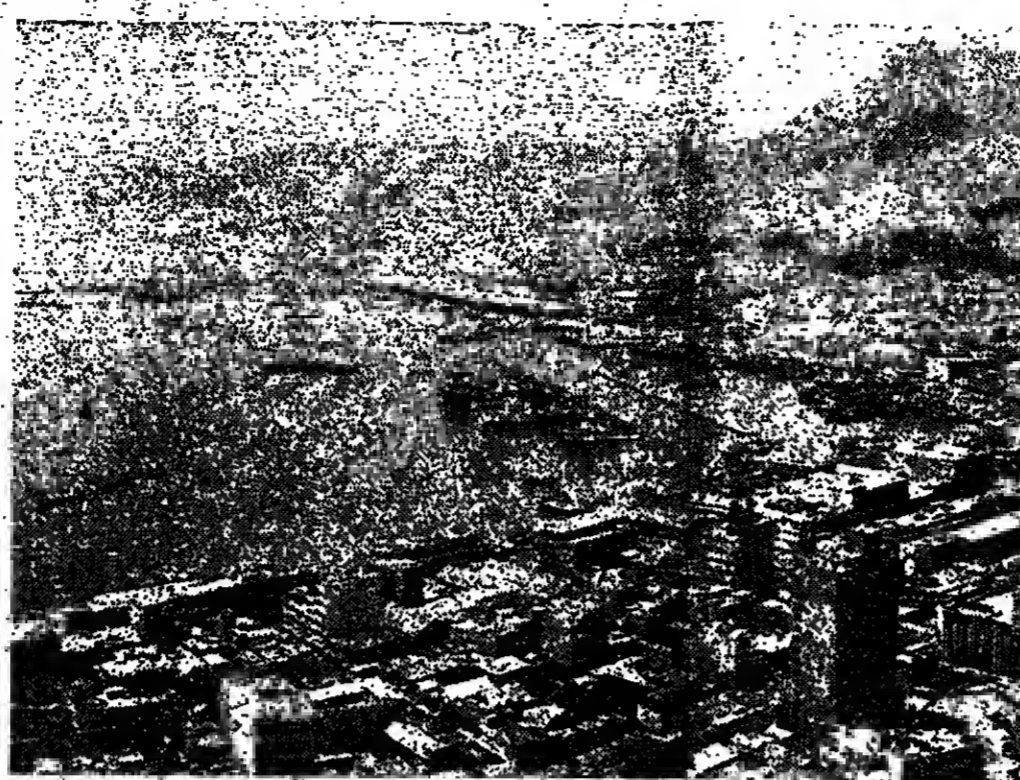
Economy begins to settle down

IT IS the paradox of South Korea that it is a near-industrial economy but cannot afford to talk like one.

What is more, the country still depends on official flows of medium- and long-term money, even though in the past six months Korean borrowers have got seven years as an accepted commercial maturity on the Euromarket.

Reserves

Put simply, if Seoul talks too much about its \$3.2bn. foreign exchange reserves at end-March, some official lenders may want to divert funds to other developing countries.



The port of Pusan.

have been enough fears in early 1977 about protectionism in overseas markets to justify a slackening of export production.

the manufacturing sector (still a third of Japan's). In short, the Korean economy is ticking over but will not be influenced greatly one way or the other by domestic demand and supply management policies.

Obviously Seoul knows this. Almost every projection, public or private, about growth in Korea's gross national product is first geared to anticipated exports and only secondarily to home demand.

Estimate

Korea is counting on average annual growth of exports over the next five years to be about 21 per cent. (28.9 per cent. in the case of heavy manufactures) in order to sustain GNP growth at around 10 per cent.

Table with 6 columns: BALANCE OF PAYMENTS FORECAST 1976-80, \$m. Rows include 1976\*, 1977, 1978, 1979, 1980, Trade balance, Exports, Imports, Invisibles balance, Net transfers, Current account balance.

ing new markets, both factors contributing to a solid base of exports Korea did not then have. Seoul does not plan any great change in the ratio of gross investment to GNP in the next five years, but that implies a constantly rising sum total.

Forecast

The question arises: who is to finance Korea's ambitious investment? The EPB is fond of saying that in 1977 Korea's needs can be met by domestic savings.

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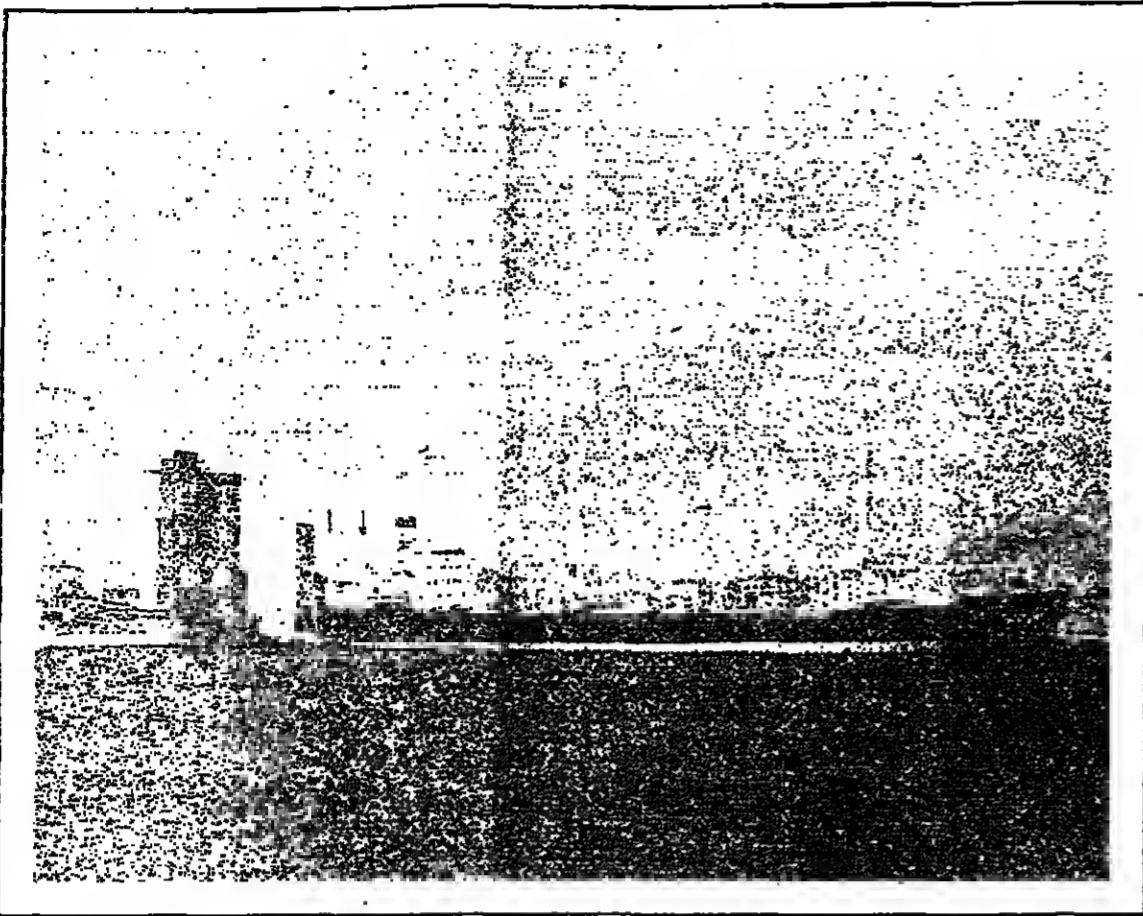
And it will develop further. Airline service by Korean Airlines has been expanded to Los Angeles, Paris, Zurich, Tokyo, Manila, and Osaka.

KOREA NATIONAL TOURISM CORPORATION. HEAD OFFICE: 193-1, Kwangheon-dong, Chongno-kn, Seoul, Korea. Includes addresses for Frankfurt, Paris, New York, Los Angeles, Tokyo, Osaka, Fukuoka, Hong Kong, and Sydney.

Text describing the development of the "Estate" and the government's efforts to enhance tourism. Includes a photograph of a resort area and a caption: "(The above report is provided from Seoul by the Korean National Tourism Corporation.)"

SOUTH KOREA IV

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Business concerns a major force

KOREA'S PRIVATE sector deserves no less thanks than the Government's economic technicians for the country's amazing export performance in 1976.

Critics of Korea's economic success usually start by saying that Government hands out favours to big business which does not in turn pass them along to the worker or small industry.



Modern buildings in Seoul.

Profits for listed companies did surprisingly well in 1976, with dividends averaging just over 20 per cent., even though 19 companies (instead of 14 the year before) did not pay dividends.

The figure is also substantially ahead of the average dividends paid in most Korean industries, led in 1976 by fisheries (35 per cent.), construction (27.5 per cent.) metals, mining, chemicals and oil (over 25 per cent.) and trailing the field paper, primary metals, services, non-ferrous metals, banking and insurance.

Preferences

Korea's general trading corporations (GTCs) are a case in point. Created in 1974 to build up major and integrated trading groups not unlike those of Japan, the GTCs now number 11, with a minimum paid-up capital of about \$2m. and selling at least \$45m. of exports.

Not surprisingly, GTCs accounted for nearly 25 per cent. of exports in 1976, and a recent estimate suggests that the figure could go to 30 per cent. this year.

come more from friendly relations with the Seoul government rather than specific tax or other advantages.

Nonetheless, the GTCs have already become a major force in Korean industry after a series of successful takeovers which have let them keep pace with the sliding scale of minimum requirements for GTC status.

In short, Seoul has managed to engineer thus far a concentration of Korea's main export drive within a dozen or so major companies.

to engineer thus far a concentration of Korea's main export drive within a dozen or so major companies.

But the listing leaves many observers of Korean business guessing about just how vast the profits were in 1976 for Hyundai's construction and shipbuilding arms.

Other GTCs are scouting the market for acquisitions, or planning (like Samsung) to simply build up new subsidiaries where suitable takeovers cannot be arranged.

In short, Seoul has managed to engineer thus far a concentration of Korea's main export drive within a dozen or so major companies.

TOP 50 EXPORTERS

Table with columns: Rank, Company, 1976, 1975, 1975 Rank. Lists top 50 exporters in \$m. including Hyundai Shipbuilding, Samsung Co., Hyundai Construction, Daewoo Industrial, Hanil Synthetic Fiber, ICC Corp., Ssangyong, Bando Trading, Pohang Iron and Steel, Sunkyong Ltd., Dainong, Hyosung Co., Samhwa, Korea Oil Corp., Kumho and Co., Pang Rim Spinning, Union Moolsan, Hooam Oil Refinery, Tong Myung Timber, Sunkyong Teijin, Motorola, Chul Yang Chemical, Tong Yang Nylon, A-Nam Industrial, Taefon Leather Co., Samdo Moolsan, Seoul Trading Co., Signetles Korea, Tongkook Trading, Falrhild, Tae Kwang Industrial, Taesong Lumber, Taehwa Rubber, Hsin Steel, Cbeongnam Spinning, Hyupjin Enterprise, Daehan Spinning, Namsun Moolsan, Yulsan Industrial, Samyang Sa, Chonbang Co., Korea Tungsten Mining, Korea Nylon, Taeebang Lumber, Union Moolsan, Sammlsa Co., Gold Star Co., Dongli Textile, Daellm Industrial, Han Chang Textile.

Trying harder to root in the earth

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and to speak of a "miracle on the Han River." The Korean Traders Association housed in the World Trade Center Korea offers prospective buyers the key to profits inherent in our export products by maintaining a special staff which handles trade inquiries, provides business contacts and specific information.

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SOUTH KOREA V

# Protectionist threat to exports

DESPITE THE growing overseas protectionism and external uncertainty, South Korean economic planners are confident of continued high growth in exports in the future through the diversification of markets and commodities. Their confidence is based on Korea's successful export performance over the past 15 years, helped by a combination of a competitive labour force, strong Government measures and efficient entrepreneurs.

South Korea is committed to industrialisation through high export growth, which President Park Chung-Hee believes is vital to the survival of his country, densely populated but short of marketable natural resources. The Korean economy grew by 10 per cent in real terms annually during 1961-76. Exports jumped from \$43m. in 1961 to \$8bn. in 1976, showing an average annual growth rate of 11 per cent. The fourth five-year economic plan which began this year calls for \$10bn. in exports for the first year and \$20bn. for the closing year of 1981. Annual growth rate will be 21 per cent during this period.

### Resistance

The rapid expansion, however, has created protectionist resistance against Korean products in developed countries flooded with low-priced textiles, shoes and other Korean goods. The Ministry of Commerce and Industry says that a total of 38 Korean products are now subject to import restrictions in 18 countries, including the U.S. and Japan. The two countries combined to account for 70.1 per cent of Korea's total exports in 1973, but this has since sunk to 55 per cent. In 1976, the U.S. is Korea's biggest export market, followed by Japan. In contrast, Korea's European exports have doubled since 1970 to \$1.7 per cent. In 1976, the rich Middle East has rapidly emerged as the country's fourth largest regional market after Europe, taking 11 per cent. In 1976, compared with almost nothing a few years ago, Korean exports to the U.S. were \$2.6bn. in 1976, up 42 per cent from a year ago, followed by Japan \$1.8bn. (up 1979 per cent.), Europe \$1.4bn.

(up 46 per cent.) and the Middle East \$900m. (up 11 per cent.). In a recent protectionist move, the U.S. has asked South Korea to roll back drastically its shoe shipments, which jumped from 9m. pairs in 1974 to 44m. pairs in 1976. Korea is opposed to any drastic cut on the ground that such action would be a disaster to the Korean economy.

Korean footwear exports, mostly going to the U.S., amounted to \$417m. last year, up 103 per cent from 1975. In the case of trade with Japan, the outlook at present appears cloudy, due to political wrangling over Japan's long delay in ratifying a bilateral agreement signed in 1974 jointly to fund oil in the continental shelf between the two countries. Korea, which ratified the agreement in 1974, is now threatening to retaliate through drastic cuts in imports from Japan. Officials say that Korea will turn to Europe for more imports even at extra shipping costs. They claim that the better quality of European products will compensate. They also point out that the proposed import cuts are needed anyway to help reduce the nation's perennial trade deficit with Japan, which ran up to \$1.3bn. last year alone. The figure was bigger than Korea's overall trade loss of \$15m. last year. Some Koreans blame what they call Japanese economic animalism for the deficit.

In another retaliatory step, Seoul plans to scrap its 1965 fishery pact with Tokyo by proclaiming a 200-mile fishing zone, which would shut off Japanese fishermen. On the question of imports protected with high tariffs and other barriers, the Government and business groups are now talking about the need to liberalise Korean imports. This is because they have begun to realise that for sustained export growth they must reciprocate by buying from others. However, they do not expect substantial import liberalisation until the balance of payments improves. The current five-year plan envisages surpluses on both trade and current accounts from Japan \$1.8bn. (up 1979 per cent.), Europe \$1.4bn.

comprising Government officials and business executives, to the U.S. to sign procurement contracts valued at about \$200m. This was in response to American pressures on Korea to buy more American goods. They had cited the \$500m. trade deficit with Korea last year and pointed to the improvement in the Korean economy.

The mission, however, as one Seoul official admitted, was also intended to calm the intensifying American protectionist sentiments against Korean products. A far cry from a few years earlier when the U.S. doled out aid money to shore up the Korean economy. Britain also asked South Korea to bring down its import barriers and buy more British goods when British Trade Sec-

retary, Edmund Dell was in the country last month. Mr. Dell told a news conference that he had found good opportunities for British industry to take part in Korea's fourth five-year plan, which calls for massive plant investment with foreign financing. He cited the possible supply of machinery in the fields of electronics, power generation, heavy chemicals, iron and steel non-ferrous metals, petrochemicals and marine equipment. The Korean side expressed concern over the British quotas on imports of sacks and bags of woven polyolefin and the growing pressure for import restrictions on footwear and iron and steel products. Korea's fourth five-year plan calls for shifting away from

labour-intensive light industry, led by textiles, to technology-intensive heavy and chemical industry such as shipbuilding, steel, machinery, plants and electronics. To realise this, Korea intends to obtain modern, sophisticated technology directly from Europe and North America, not through Japan as has been the case in the past.

Korean officials claim that they have no problems in securing about \$10bn. in foreign capital to finance heavy and chemical plant projects under the current five-year plan. Korea's manufactured exports accounted for only 20 per cent of the total exports in 1961. The figure rose to 89 per cent by 1976, vividly showing that Korea has changed from a marginal agricultural economy to an industrial one, though still labour-intensive. Korea has outpaced many of its competitors and raised its share of developing countries' exports of manufactured goods from 2 per cent in 1965 to about 18 per cent. In 1976, according to a World Bank report.

Korea has to shift to more technology-intensive industry because sooner or later it will face more competition in textiles and other light industry from less developed countries where labour is cheaper. Besides this planned diversification, Korea also needs to improve the structure of its industry. The country is heavily dependent on processing imported intermediate goods for export, making it highly vulnerable to outside shocks in terms of supplies and prices which are beyond its control. The path towards development of heavy industry may not be easy. The ambitious Korean shipbuilding industry has run into the problem of uncertain international demand, although there may be outlets for other heavy industry products, particularly plant and construction materials. Korea's construction industry has picked up billions of dollars in Arab and other developing countries in the past few years. One factor cannot be overlooked in discussing the rapid Korean export growth. That is the Park Government's economic policy which gives top priority to export expansion. There are now about 2,000 licensed local export firms, in-

cluding 11 general trading houses, each of which met the Government criterion of exporting more than \$150m. last year. Hyundai Shipbuilding and Heavy Industries topped the list with exports totalling \$376m. Probably the most fundamental factor has been the role of competent workers, who are abundantly available at low cost. A World Bank report says that manufacturing wage levels in South Korea are one-fifth of those in Japan, cheaper than in Taiwan, Singapore and Hong Kong, and higher than in the Philippines. It adds that Korean labour productivity levels compare favourably with the latter and are probably not too far behind those of Japan in the traditional industries.

fact that they are aiming to achieve most of the plan's major goals a year early in 1980. In a recent confidential 100-page report, the World Bank generally praised the new five-year plan, finding its "priorities, strategy and programmes to be sound." But the report warned the Koreans might have seriously underestimated investment requirements, while at the same time over estimating national savings flows.

### Investment

The plan projects gross investment of \$37bn. or 26.2 per cent of GNP, and national savings of \$34bn. or 24.2 per cent of GNP over the five-year period. The World Bank report said that to contain inflation (which the plan foresees falling to an annual rate of 7 per cent. by 1979, from the recent level of around 12 per cent.) Korea must, among other measures, slow the rate of growth of nominal wages, which has been running at around 25 per cent. in recent years. And as regards the payments balance, the report said the

underestimation of investment needs, combined with the over-estimation of national savings, was likely to boost the current deficit at 1975 prices, to around \$5.9bn. over the life of the plan, from Korea's estimate of \$1.9bn. (at current prices, taking into account the improvement in the terms of trade, after the disastrous deterioration which followed the oil crisis, the plan projects a current account surplus over the five years of \$1.21bn.).

The World Bank agreed that in current price terms, the additional financing requirement was unlikely to be sizeable. But it said the likely shortfall made it all the more necessary for Korea to ensure that medium- and long-term commitments of at least \$2.4bn. a year (in current prices) were obtained—as envisioned in the plan. Korean Government economists say that while their investment cost estimates might look ambitiously low by some international comparisons, they reflect past Korean capital to output achievements. The plan projects a rise in exports to \$10bn. this year, from \$7.8bn. last year, and \$20.2bn. by 1981.

### Targets

The World Bank report found that the export targets are attainable, provided OECD economies grow at an average of about 5 per cent. a year, and no additional restrictions are placed on Korean exports by industrialised countries. Another imponderable in the export area is the degree of success the Koreans have in altering the structure of their exports. Recognising that textiles and clothing are bound to face increasingly stiff competition from other developing countries, Korea's planners are attempting to move into exports that are more "skill intensive"—that is, those requiring more advanced levels of technology and trained labour, which are becoming uneconomical in industrialised

The attitudes of the U.S. and Japan are crucial, since these two countries together still account for over 50 per cent. of total Korean exports. But it should be noted that the figure is down from around 70 per cent. at 1973, as Korea has had great success in diversifying into new export markets—namely the EEC and the Middle East.

Another major imponderable, of course, is the attitude of foreign lenders and investors in Korea. Perhaps the major question mark, however, is not economic at all, but political—the stability of the Park Chung-Hee regime, and the effect of the proposed pull-out of U.S. troops. Korea's economic planners insist they could handle the increase in defence spending which a U.S. troop pull-out would mean, without upsetting the plan's main strategy. In the 10 years to 1975, defence spending took about 4.6 per cent. of GNP. But on the wider political implications of the absence of U.S. ground forces in the South, economic planners must take a back seat.

By a Correspondent

## Ambitious plans for growth

"WE ADVANCED boldly in the past," says the preface to the South Korean Government's fourth five-year economic plan: "We will continue to advance boldly now."

The "past" is by now a well-known, and truly outstanding, and economic success story: 15 years of 10 per cent-plus average annual real-economic growth, which has transformed Korea from one of the world's poorest developing countries into what the World Bank calls "a semi-industrialised, middle-income nation."

The "now" refers to the central strategy of the new 1977-81 plan: average annual real gross national product growth of 9.2 per cent, with exports continuing to lead the way, and annual expansion of 16 per cent. At 1975 prices, GNP is meant to expand to \$33.5bn. from \$21.6bn. at the end of 1976. The current account balance of payments deficit is expected to be eliminated after next year, and a surplus of \$1.2bn. is foreseen in 1981.

The continuing rapid growth strategy is viewed as essential in light of the major objectives of strengthening the balance of payments; increasing employ-

IP Asia  
The stone-carved pagoda, one of the finest relics of Korea, symbolizes an eternal youth, creative posture, good faith and lofty leadership. Amazingly, these qualities coincide with the business motto held by the Yulsan group.



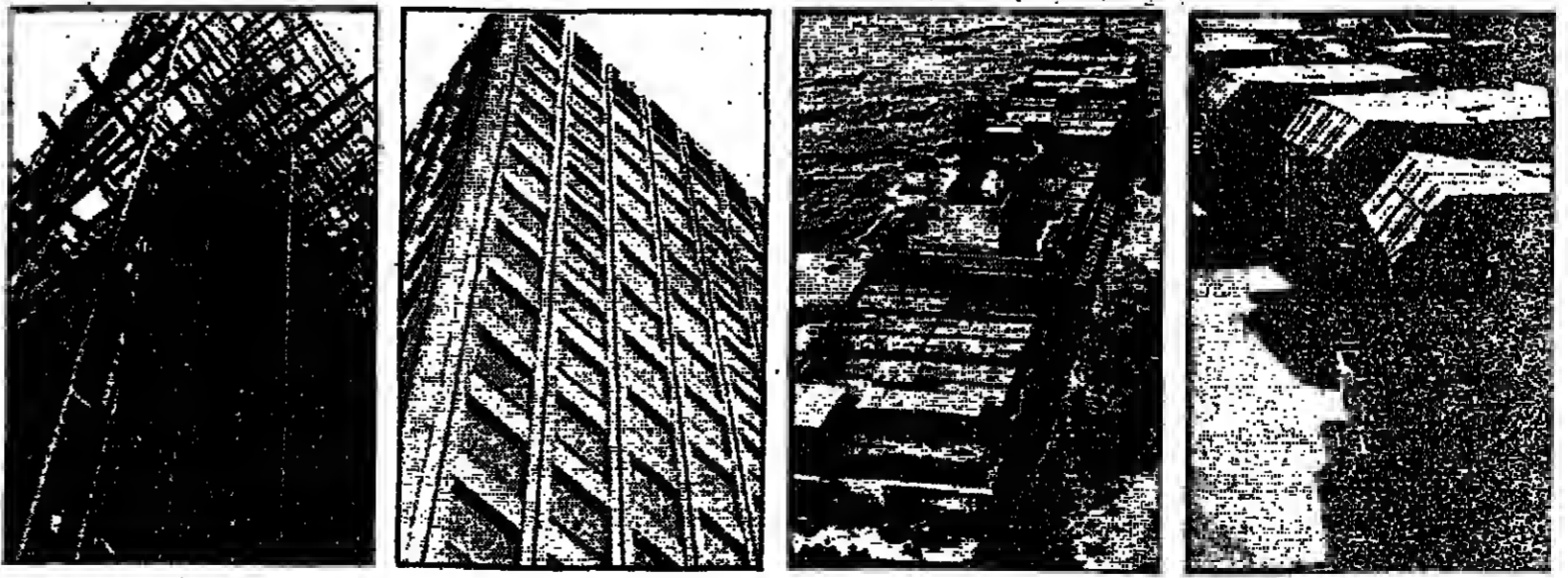
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SOUTH KOREA VI

# Major industries

## Textiles

"THE KOREAN polyester suit you buy for 35 quid in London," the Lancashire textile technician boasts, "is still overpriced." The material that goes into the suit costs £2.50, and production costs push the tab to £9 before the typical Korean manufacturer takes his £1 mark-up. By the time the suit gets to London, it is a good £7 cheaper than the same garment made in the U.K.—and can compete hands down with low-cost exporters in Europe. The technician, on loan to Korean manufacturers to advise on specifications for the U.K. market, is not sorry that Korea is undercutting British manufacturers. "I've worked in Britain, Romania and Portugal," he says, "and as I see it, the man in the street gets the best for his money."

That money is pouring into Korea's foreign exchange coffers, to the tune of about \$2.78bn. in 1976, up 46 per cent in one year and almost six times the figure for 1971. In between, Korean manufacturers have drummed the Japanese out of low and medium-quality textiles, and in the process lured a substantial amount of Japanese investment into the Korean industry. And now, over the next five years, Seoul's textile giants hope to modernise the industry in time to keep one step ahead of other

developing countries, who hope to use textiles as a light industry stepping-stone to industrial development. Textiles and clothing are, and will remain, the centrepiece of Korean industry. They account for 30 per cent of employment in the manufacturing sector, 25 per cent of output and 35 per cent of all Korea's exports last year. Vast amounts of cash will go into Korea's heavy and chemical industries in the next five years, but it will make only a dent in the economy's reliance on the textile business. Indeed, even in 1981, Seoul expects that textiles will still constitute the biggest single export market, at around 26 per cent of the total (compared to its closest rival, electronics, with 13.7 per cent).

In 1977 Korea is looking forward to a 20 per cent rise in textile exports to \$3.5bn., and there seems little readiness in Seoul to downgrade the estimate in the face of protectionist threats in prime overseas markets, notably Europe and the U.S. Korea is lobbying for changes in the GATT Multi-fibre Agreement, but has already calculated its export strategy for this year on the basis of existing import restraints (quotas on 41 items into the United States, for instance). The strategy involves (a) guiding the expansion of key production facilities; and (b)



Textile production at a Daewoo plant at Pusan.

mapping out a long-term investment programme for the industry.

Expansion quotas (for strategic items) have already been filled for 1977. In the acrylic staple fibre sector, the two companies have been authorised to expand: Taegwang Industrial and Hanil Synthetic Fiber (both by 26 tons daily capacity). The total will be tacked on to existing production of 223 tons a day. The rest of the synthetic fibre sector is free to invest, but there are no major plans this year greatly to expand the 25 or so chemical fibre plants which, together, have a 457 tons capacity in staple fibre, and 299 tons in filament. But by 1981, Seoul anticipates synthetic fibre capacity will have grown by 75 per cent, to around 1,370 tons a day, with the biggest increase in polyester yarn.

Cotton yarn now comes within the jurisdiction of industry quotas, and the big 16 companies (led by Tai Nong) have been allowed a major expansion in 1977 (628,592 new spindles on top of the industry's total of 2m. at the beginning of last year). Seoul has also agreed the expansion of weaving facilities, and by 1981 the plan calls

for an increase in cotton yarn capacity to 3.3m. spindles (75 per cent) and in cotton cloth to 73,000 units (up 40 per cent).

Korea's most modern textile plants are for wool textiles (about 90 per cent of the machines installed since 1966); it is not true for their dye facilities, and there is a very low loom-to-spindles ratio. Nevertheless, Seoul is aiming for a 72 per cent increase in yarn capacity by 1981 and a 50 per cent rise in wool cloth capacity.

But beware: two things crop up the Korean textile industry. First, a new batch of quantitative restrictions ably do only so much to diversify into Third-World markets where infant textile industries abound. Second, Korean labour is coping less cheaply and gradually eat up the cost margin which makes Korean textiles such a good buy. The average wage in a textile factory is £35 a month, and is rising by as much as 20 per cent a year. So Korea's textile makers are working against the clock.

D.R.

## Cars

"CARS WERE our big mistake," a leading South Korean businessman said recently. That sort of statement has yet to be heard from the presidents of Korea's major car companies, but it is not untypical of views outside the industry. Says another outsider: "We spent too much on cars and not enough on other import substitution."

So what's wrong with Korea's vehicle industry? Well, for a start \$250m. has been spent on new capacity in the past three years, but Korea's motor plants are working at less than a third of capacity.

A year ago Hyundai Motor Company began to build the Pony, the compact, home-grown passenger car which is now taking about 60 per cent of sales at home, and there are plans to boost exports from last year's 1,500 to 10,000 this year.

So why is everyone so worried? In fact, there are long-term constraints on Pony sales abroad, notably in its inability to meet the harsh Japanese and U.S. emission control requirements. Moreover, Hyundai hopes to find a small market in Britain and the rest of the EEC, but there have already been moves to prevent a major sales drive.

If exports of Korean cars are in fact made difficult because of import barriers in Europe, there is little doubt that the critics of Korea's ambitious car industry will prove correct after all. The reason is that Seoul is not ready to expand the domestic car market sufficiently to let the car makers have a large enough home demand to permit exports at "marginal" prices.

The home market in 1976 took around 27,300 cars and 20,500 commercial vehicles, but industry experts think that the passenger car market (if freed from some of the current exorbitantly high levels of taxation) could mushroom to 150,000 units a year. But Seoul is not yet ready to let go those tax revenues, and at the same time cause greater congestion than already exists on Seoul's streets. Moreover, the Government has mapped out its priorities for 1977 to 1981—and the car industry is not one of them.

The Pony, nevertheless, has been a qualified success from the start. It is the first car in Korea not assembled on the basis of a foreign licence, so although the design is Italian and much of the engineering British, the Pony is the first "Korean" car. Moreover, the company is making a profit (notably on its output of Ford trucks and Mercedes buses) so there is little doubt it can pay back the capital costs of the Pony plant. Repayments start this year.

Hyundai's major competitor, Kia Industrial, began in the 1960s in a tie-up with Honda Motor of Japan, branched out into trucks and buses, then expanded production of its "Brisa" compact after 1974 from 7,200 units capacity to 24,000. Last year Kia sold only 7,000 Brisas in Korea (less than in 1975) so it too is hoplog for a big expansion of exports (mostly to the Middle East) from this year on. Both Hyundai and Kia, meantime, have expanded their truck capacity to 20,000 and 24,000 units respectively, from a combined capacity in 1973 of 15,000 units.

Korea's two smaller car

makers, Saehan Motor (50-50 between General Motors and the Korea Development Bank) and Asia Motor (Korean with a technology tie-up with Fiat) have kept capacity constant. Saehan had 13 per cent of the car market last year with its assembled GM cars, and Asia Motor about half that. Both now are looking to expand their heavy commercial vehicle departments, which report some success in selling to the Middle East.

D.R.



## "AN-NYUNG-HASEYO?"

(How do you do? I'm Miss Lee.)

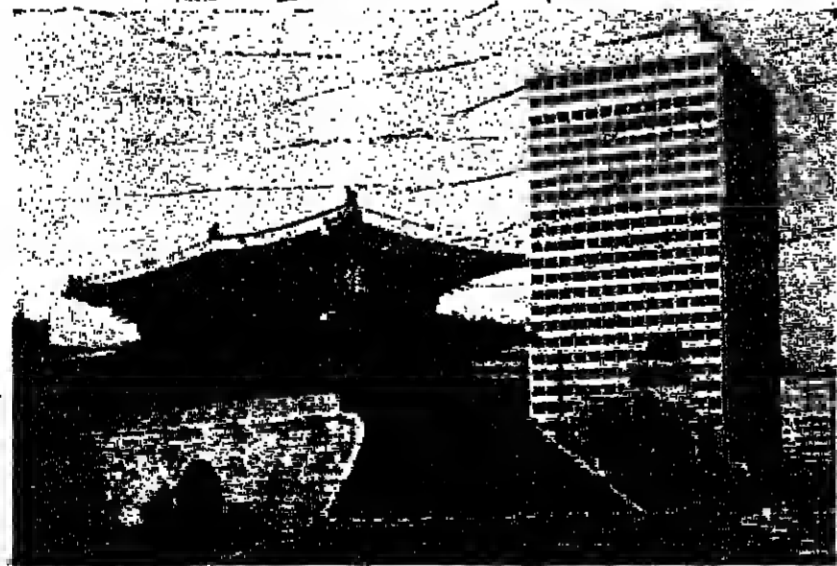
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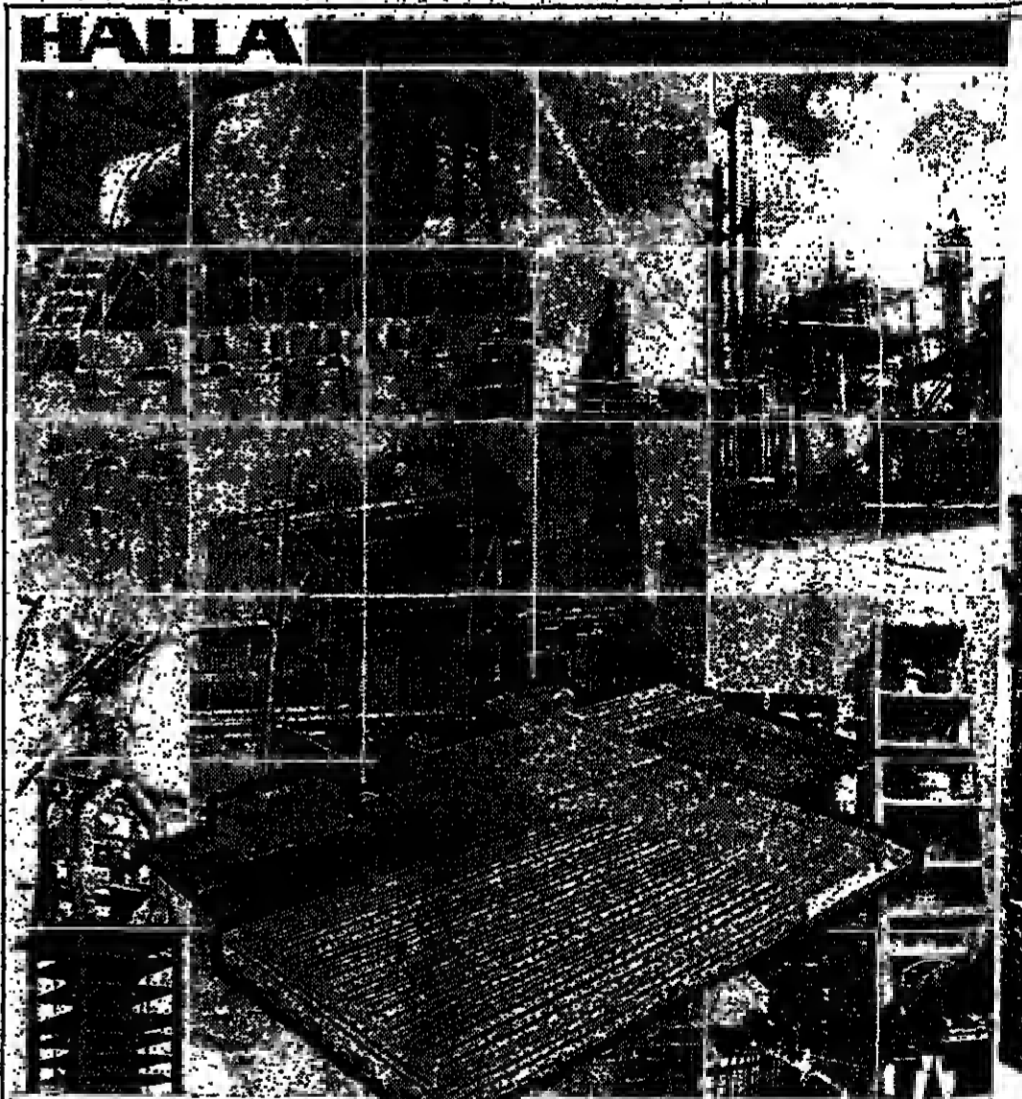
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# SOUTH KOREA VII

## Engineering

SOUTH KOREA is pressing ahead vigorously with a programme to develop an engineering and plant equipment industry. It is the latest step in the country's shift of emphasis from light labour-intensive industries to the heavy and chemical sectors that began in 1972.

Already some plant equipment and other engineering products have emerged as promising export items. The Government has set an export target for this year of \$410m.

As textiles, shoes and electronic goods are subject to import quotas and keener competition in the world's major markets, South Korea, following the pattern of neighbouring Japan in the early 1960s, places a growing hope on engineering exports in the future.

In its recently launched fourth five-year Economic Plan the Government has three aims in giving top priority to the engineering industry.

The first is technological advancement through local production of sophisticated machinery. The second is connected with the scheme for gradual change in the structure of exports. The third, not as openly publicised as the other two, is linked to the development of the defence industry.

Without a fully fledged engineering industry, South Korea cannot hope to produce the various weapons for its own defence capability against possible North Korean aggression. The need has become more urgent now that President Jimmy Carter has left no doubt about his intention to pull out American ground troops from South Korea within four or five years.

The Seoul Government initiated a five-year comprehensive plan to develop machine industry in 1975 which calls for increasing the domestic supply of engineering goods from 20 per cent. in 1975 to 70 per cent. this year and to 100 per cent. by 1979.

The nucleus of the plan is the construction of a large engineering industrial estate in Changwon along the south coast near Masan. Work began in 1974, with the first phase scheduled to be completed next year. According to Choi Chong-yong, administrator of the estate, more than 100 plants will be accommodated on a site of 1.7 square kilometres by 1981.

accounting for one-half of the country's total engineering output and exports by that time. With about a half of its infrastructure completed so far, a total of 48 companies have been granted entry to the complex, with 19 of them in full operation already. Among the companies building plants there are 11 joint ventures, eight with Japanese partners, two with British participation and one with an American company. Foreign equity totals \$68m.

The first phase of construction, including plants, is estimated to cost a total of \$364.5m, including \$330m. in foreign loans and investment. It will have a combined production capacity of \$2.2bn. of machinery of which \$408m. will be going for export by the end of next year. It will also create 61,000 new jobs, about a quarter of the total employment by the country's engineering industry.

The success of these ventures, and of the country's engineering industry development programme as a whole, will depend secondly on the two factors—technical manpower and adequate financing.

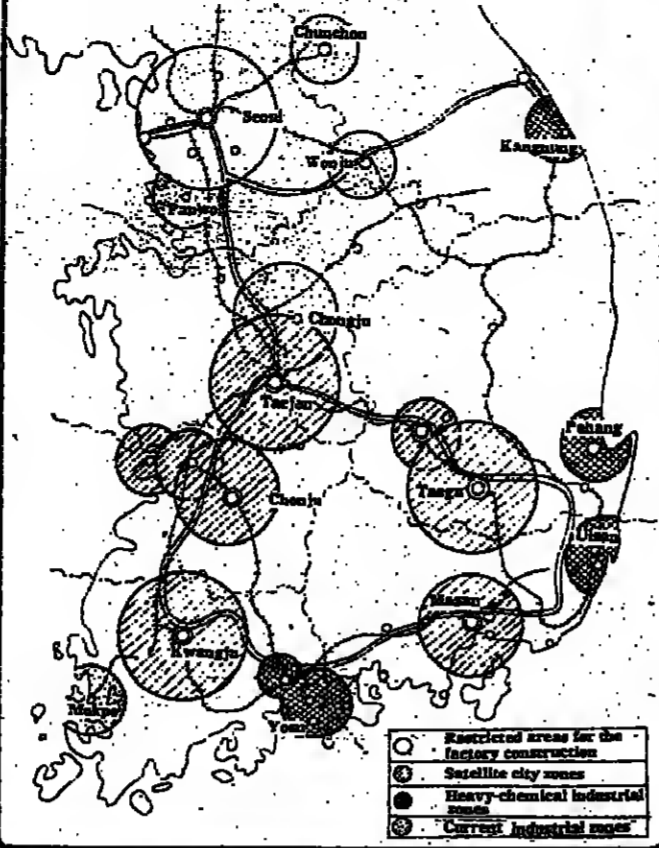
The Government plans to make 100bn. won (\$200m.) of loans available to the industry each year. Within less than two years of starting its engineering industry development programmes, the country is not only building thermal power plants at home with 100 per cent. locally made equipment but is also exporting some plant facilities and technical know-how.

Production of most light industry factories has now been fully localised, while substitution for imported machinery is possible for up to 50 per cent. of the equipment used in cement and fertiliser production, steel processing and petroleum-related industries.

In addition to textile plants already being exported, contracts have recently been signed or negotiations are under way for the sale of a zinc refinery to Thailand, a paper manufacturing plant to Colombia, a soda ash plant to Peru, a pulp plant to New Zealand, a biscuit factory to the United Arab Emirates, and power and cement plants to other Middle East countries.

Samuel Kim

## URBAN INDUSTRIAL ZONES



## Shipbuilding

IN MID-APRIL, President Park's council of economic advisors took a hard look at Korea's shipbuilding industry. At the end of the day, they agreed to proceed with the planned expansion of capacity from the present 2.7m. gross tons to 4.25m. tons in 1981. In the minority were a few critics of putting so much foreign exchange into the one Korean industry which is already swamped with too much capacity. Indeed, in 1976 Korean shipyards produced only 654,000 gross tons on a theoretical capacity of 2.6m. tons, so even by the Government's own arithmetic, it shows the Korean yards working at far less than 50 per cent. capacity.

Seoul had a hard decision to take: whether or not to complete two new shipyards now under construction. One is the medium-size Jukdo shipyard, being built by the Woonjin Shipbuilding Company. The 100,000 g.t. capacity yard was scheduled for completion this summer, but

work had almost halted at the site in recent months. Last month, the Samsung Group—Korea's largest trading house—took over the controlling share in the joint venture from the ailing Chinha Group. (The Jukdo yard will be part-owned by Marubeni and Hakodate, both Japanese companies with 13 per cent. shares each). The \$8m. project may now be completed, since the Government has decided to continue subsidies, but probably not before the end of 1977.

By far the bigger gamble is the Okpo Shipyard, capable of building supertankers, cargo vessels, drilling rigs and floating factories. Okpo's capacity will be 1.2m. tons a year, with a maximum 1m. dwt. ship capability. The yard has been under construction by the Korea Shipbuilding and Engineering Corporation (KSEC) since October, 1973, although as at Jukdo, building activity had virtually stopped in recent months when Seoul was known to be reassessing the country's shipbuilding programme. Now, work will proceed on Okpo but the yard's completion may be delayed six months until summer of 1978 in order to spread out new capacity in the face of sluggish world demand for new ships.

Are Okpo and Jukdo white elephants? Many economists and businessmen think so, especially because Seoul is already lumbered with large-scale subsidies to existing yards to keep them afloat. This year the Korean Export Import Bank and Korean Development Bank have \$300m. to spend in the way of export credit, and most of it will go to finance ship sales. The KDB also has about \$10m. to tide shipyards over when they cannot meet operating expenditure. And the Government gives shipbuilders a bargain price for their steel purchases. All courtesy of the taxpayer.

Seoul is gambling that the world market for ships and assorted offshore structures will pick up in 1978 or 1979. It has even upgraded its forecast for ship exports in 1981 from \$900m. to \$1.2bn. from roughly \$400m. anticipated this year. Meanwhile, Seoul is steaming full speed ahead with plans to encourage Korean shipowners to "buy Korean," as well as to expand ship repair, ship supply and port facilities.

D.R.

In 1976, Korean shipyards built only 50,000 g.r.t. for domestic shipowners, while the country imported 490,000 g.r.t. (mostly secondhand ships). Now Seoul has "banned" in principle the import of newly built ships, and is warning shipowners away from buying abroad. The aim is to bolster Korean shipping from the existing 2.6m. tons to 6m. tons by 1981 and at the same time have most of the new shipping built by Korean yards. To do so, the Government has undertaken to subsidise owners and the yards; already \$40m. have been set aside in 1977 to help finance four new orders at Hyundai and two at KSEC. Furthermore, Seoul is working out a whole batch of new measures to lure shipowners into placing domestic orders.

Regardless of how well the shipbuilding sector fares, the Government has already launched a major expansion plan for its port facilities in an effort to boost handling capacity from 34m. tons to 93m. tons (and berth capacity from 129 to 203 vessels). The investment is reckoned at about \$300m. over five years, or double the amount spent between 1972 and 1976, with more than a third of the total going on Pusan port (including \$80m. from the World Bank and \$35m. from the Saudi Development Fund).

Another chapter of Seoul's expansion plans which now looks secure is the new Hyundai ship repair dockyard under construction, with an annual repair capacity of 80 vessels and a maximum single vessel capacity of 700,000 dwt. The yard is a joint venture between Hyundai and Japan's Kawasaki Heavy Industries.

D.R.

## Steel

SOUTH KOREA'S earliest gamble on heavy industry badly despite a slump in world steel prices. Last year Korea managed to sell \$415m. worth of steel overseas, up 40 per cent. on the previous year and As a first step, the Government decided to get into the business and set up the Pohang Iron and Steel Company (Posco). Posco's integrated mill of 1m. tonnes capacity, finished in 1973, was expanded and completed in 1976, giving Posco a basic crude steel capacity of 2.6m. tonnes a year.

Thus the Korean industry managed to boost its overall production capacity to 4.5m. tonnes, or five times what it was just five years earlier.

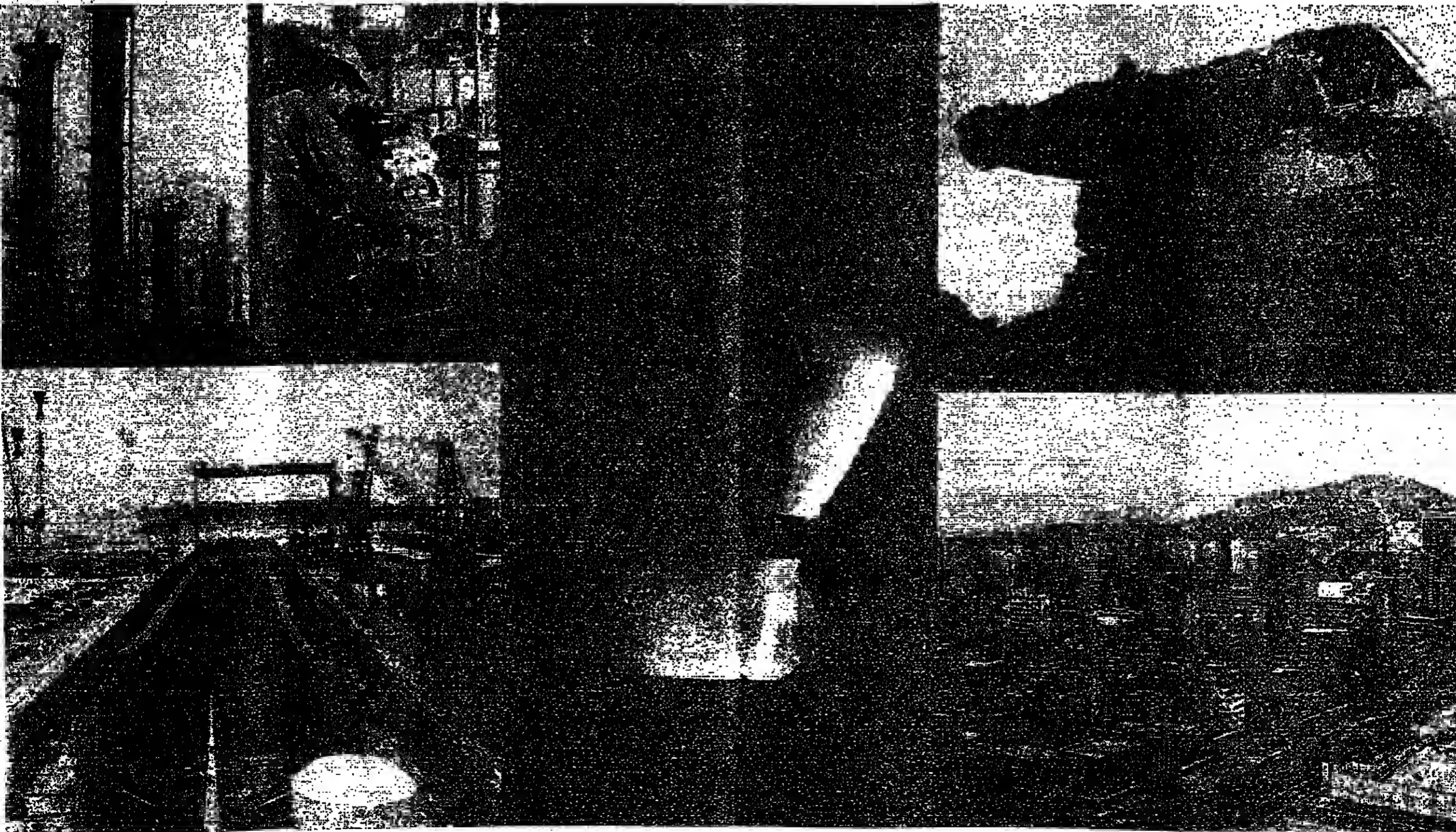
Large investment went into Posco, and not a small proportion of foreign loans. No final sum is published, but the last phase (a cold-rolling mill) of the Pohang expansion cost around \$145m., of which \$100m. was paid with foreign capital. And the mill, with 455,000 tonnes capacity, represents under a third of the expansion.

Seoul is convinced that its gamble has already paid off. In 1977 Korea will import some 670,000 tons of iron and steel products (mostly medium-thick plate, wire rope, section steel, and steel bars and pipes) and export 1.7m. tons. Thus Korea is now self-sufficient in terms of crude steel, even though it still must import its special steel requirements.

Unlike the shipbuilding in-

D.R.

# Exploring for the future while cherishing for the past.

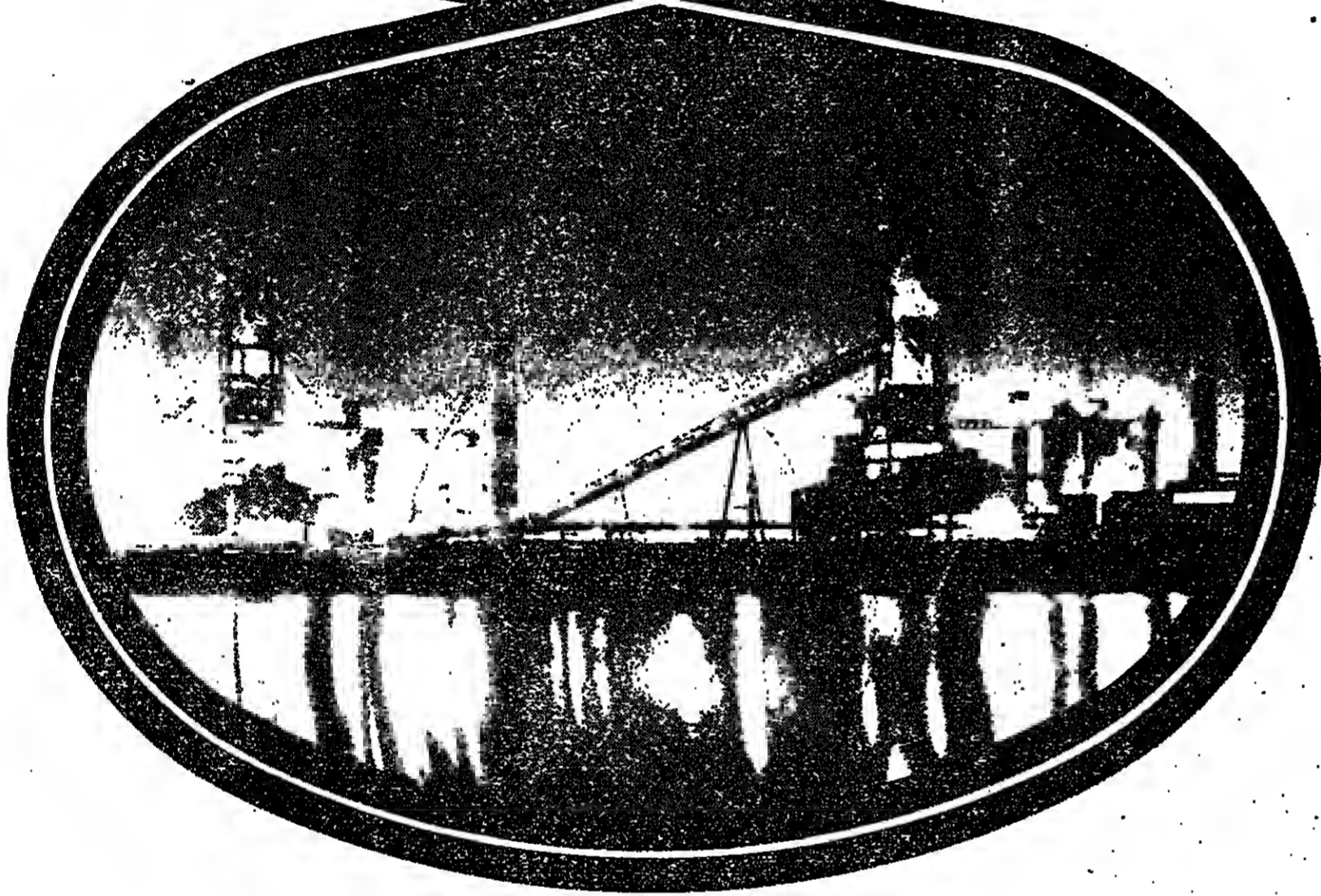
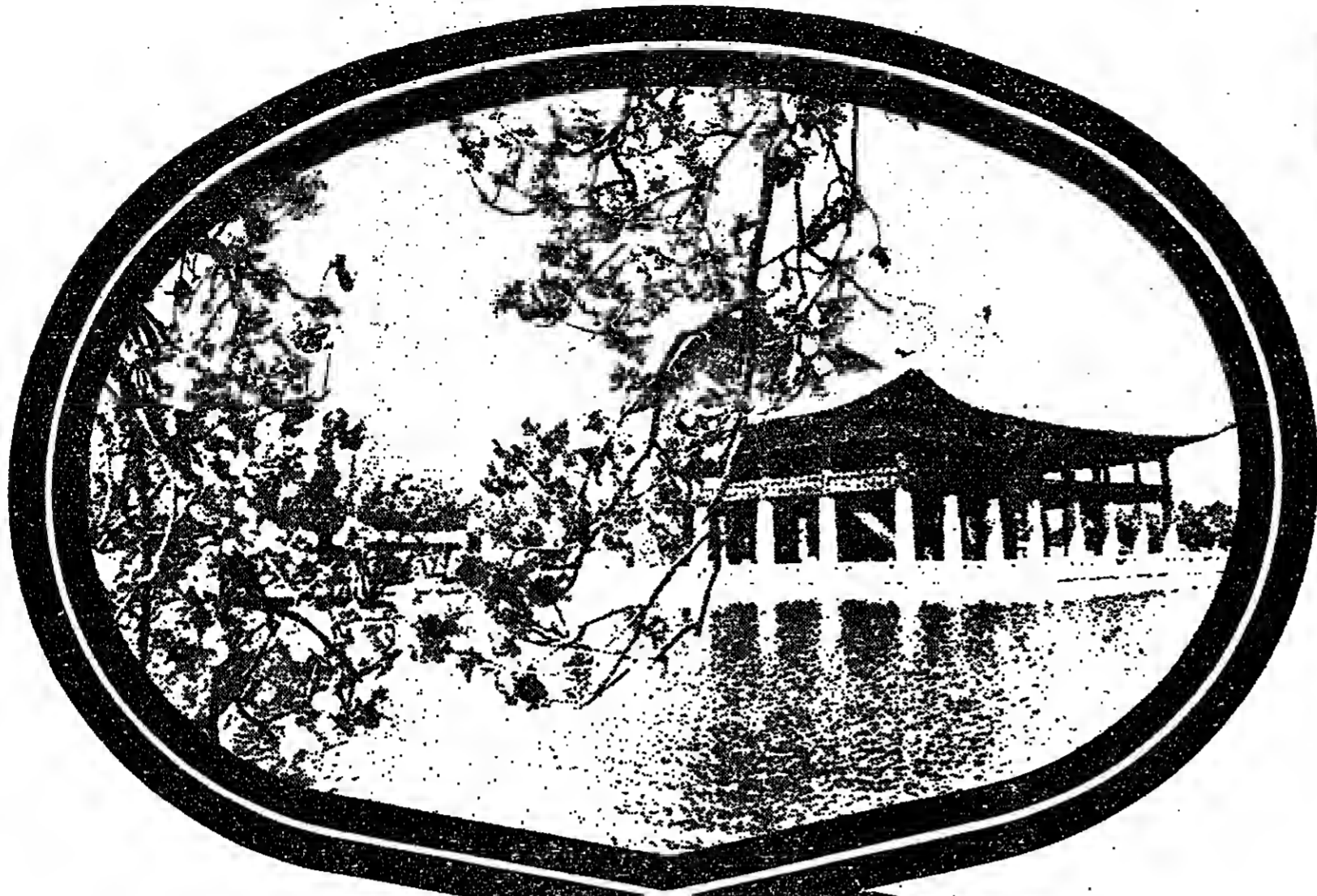


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# The taxing question of saving British films

By ARTHUR SANDLES, Cannes, Sunday



Grade: one of the main line

Wilson: first meeting

Delfont: plenty to say

EMILY Rank... Organisation... big plans for... to revitalise its film-making activities...

Several things... which preceded... and included... such as Lady Falkender and Lord Delfont...

Brother Bernard does not have a television base from which to build... a slice of the U.K. cinema...

moves which follow weeks of speculation and a measure of public wrangling... All in all, however, EMI has managed in push through much of its reorganisation...

## Attractive

While conversations with the Department of Trade and other "official" areas of the film business tend to turn to the ways in which more finance can be diverted into film-making...

Many California or Swiss based British actors and directors can only come to the U.K. for three months in some years before they run into problems with the taxman...

ATV's Lord Grade can receive the business on their own terms... And that is why the film business is presently the Government hard for the sort of sympathetic attention...

EMI has high ambitions in the film business but is taking great pains to ensure that these ambitions are producing no show in much public blind...

## Near unique

Tax is, however, but part of the problem and much of the rest might reside under the indefinable heading of confidence...

## To-day's Events

EEC Finance Ministers and Agriculture Ministers begin two-day meeting in Brussels... Mr. Edward Rowlands, Minister of State, Foreign and Commonwealth Affairs...

## Letters to the Editor

Turn-outs at elections... course is not applicable when there is an advance...

CH and P. in isolation... examination of any part of the energy which is then used...

## TV's share of advertising

From Mr. H. Henry... Sir, in his note (May 12) of the J. Walter Thompson analysis of advertising expenditure in 16 countries...

## Insulation and condensation

From Mr. E. Ambrose... Sir—I must answer Mr. Leslie's letter (May 10) because he obviously did not read my letter of April 28...

## Charges for library services

From the Secretary... Sir—Samuel Brittan (May 3) argues for the introduction of charges for library services on specified days...

## British books in France

From Mr. R. Beardwood... Sir—One of the theoretical benefits of Britain's having joined the European Community is that our exports will enjoy lower tariffs...

## Gas guzzling is reprehensible

From Mr. N. Jenkins... Sir—It is difficult to understand what Anthony Harris in the Lombard column of May 10 is really saying in defence of gas guzzlers...

## Pay in advance possible

Mr. N. Wild... Mr. Heydemann (May 12) had to mention loss of tax when building society interest is saved...

Advertisement for OIL RECOVERY INTERNATIONAL featuring 'Real at its wits' and 'Pollution threatens blow-out in worst North Sea oil rig... It happens everyday... Safety valve... Oil rigs: Call We can...'



Properties Pending dividends timetable

Table with columns: Company Name, Dividend Date, Dividend Amount, Dividend Yield. Includes companies like Anglo-Siam, Anglo-Siam, Anglo-Siam.

Public Works Loan Board rates

Table showing Public Works Loan Board rates for various terms and interest rates.

Petrofina's blowout cost

Text discussing Petrofina's blowout cost and the impact on the company's financials.

RECENT ISSUES

Table listing recent issues of equities and fixed interest stocks.

RIGHTS OFFERS

Table listing rights offers for various companies.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

INTERNATIONAL COMPANY NEWS

DSM profit falls

Text reporting on DSM's profit fall, mentioning sales of 1.1 billion and a 10% increase in volume.

Barclays National

Text reporting on Barclays National's performance, mentioning a 30% increase in profits.

Money and Exchanges

Text discussing money and exchange rates, mentioning the dollar and the pound.

Table showing money and exchange rates for various currencies.

Local authorities and finance houses seven days' fixed.

Table showing local authorities and finance houses seven days' fixed rates.

FOREIGN EXCHANGES

Table showing foreign exchange rates for various currencies.

EXCHANGE CROSS-RATES

Table showing exchange cross-rates for various currencies.

EURO-CURRENCY INTEREST RATES

Table showing euro-currency interest rates for various currencies.

MINING NOTEBOOK

Learning to live with political blizzards

Text discussing mining operations and political blizzards, mentioning the Langer Heinrich uranium mine.

Bank of NSW

Text reporting on the Bank of NSW's performance, mentioning a 30% increase in profits.

Gold Fields deal

Text reporting on the Gold Fields deal, mentioning the acquisition of the company.

INSURANCE

Carrying hazardous matter

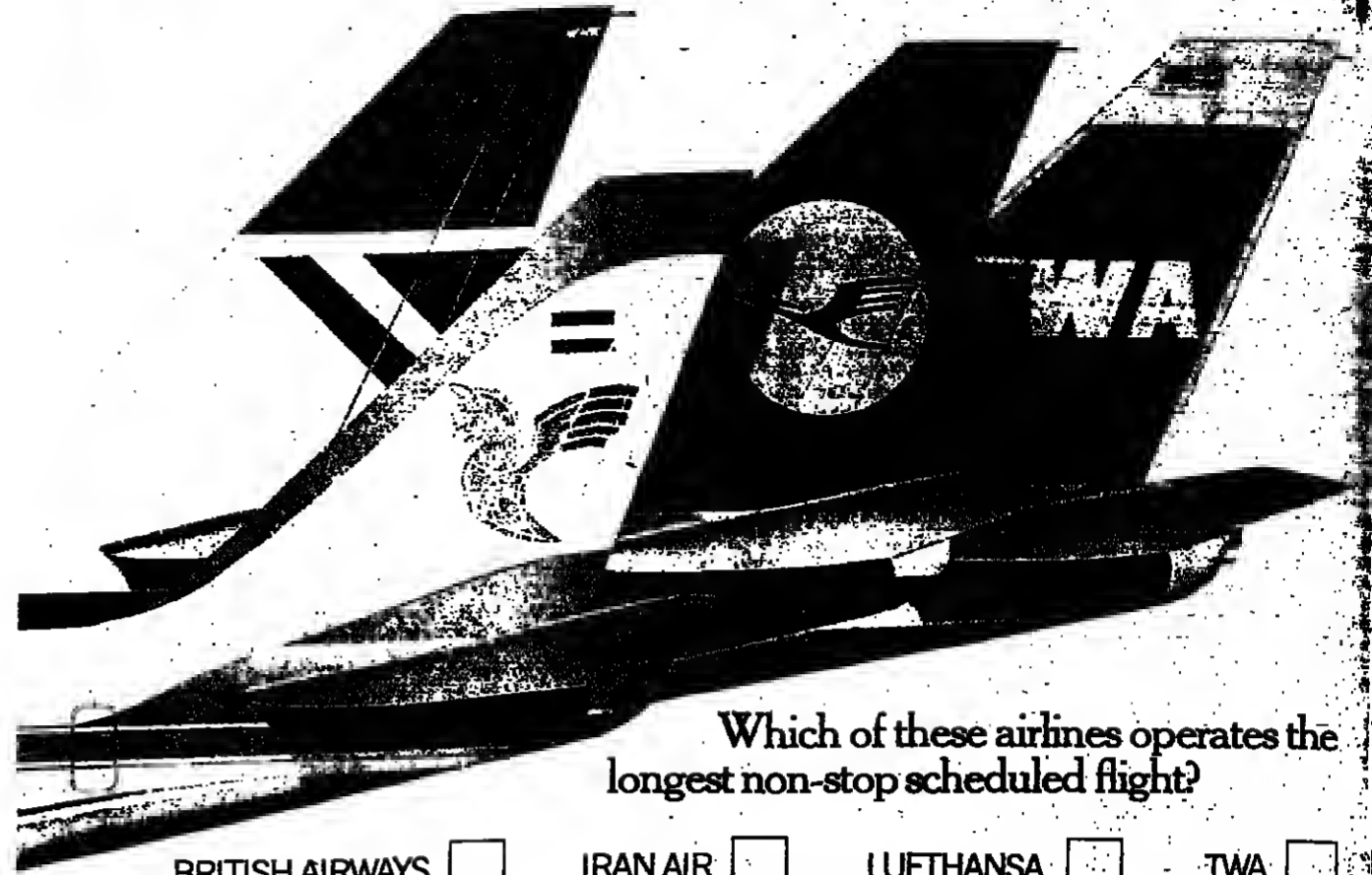
Text discussing insurance regulations for carrying hazardous matter, mentioning the Motor Vehicle (Construction and Use) Regulations 1973.

Change of Address

Advertisement for McLeod, Young, Weir International Limited, including contact information and services.

# Guess which is the world's fastest growing airline?

SWISSAIR  SAS  OLYMPIC AIRWAYS  IRAN AIR



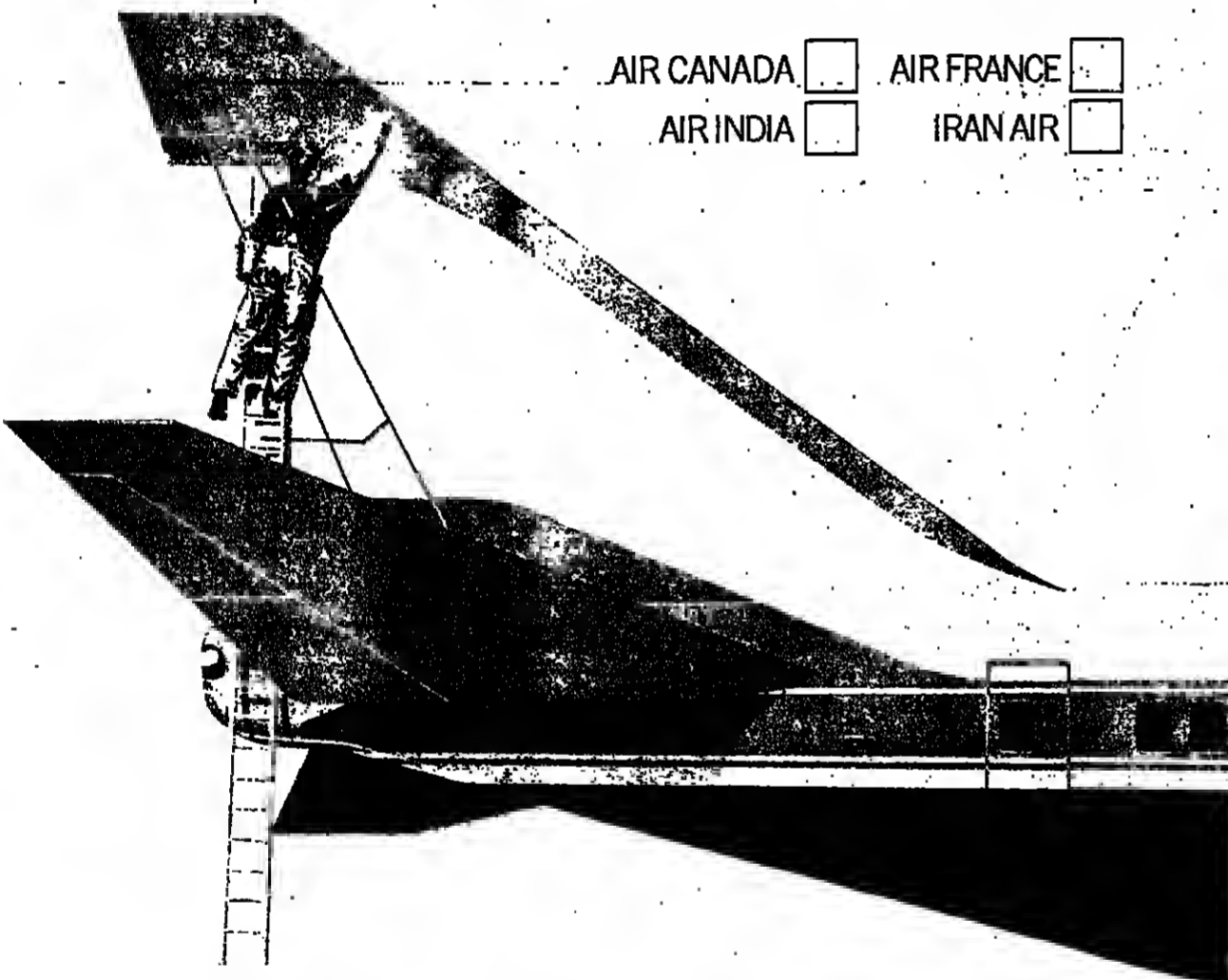
Which of these airlines operates the longest non-stop scheduled flight?  
 BRITISH AIRWAYS  IRAN AIR  LUFTHANSA  TWA

Only one of these airlines flies to London, New York, Moscow, Peking and Tokyo. Which is it?



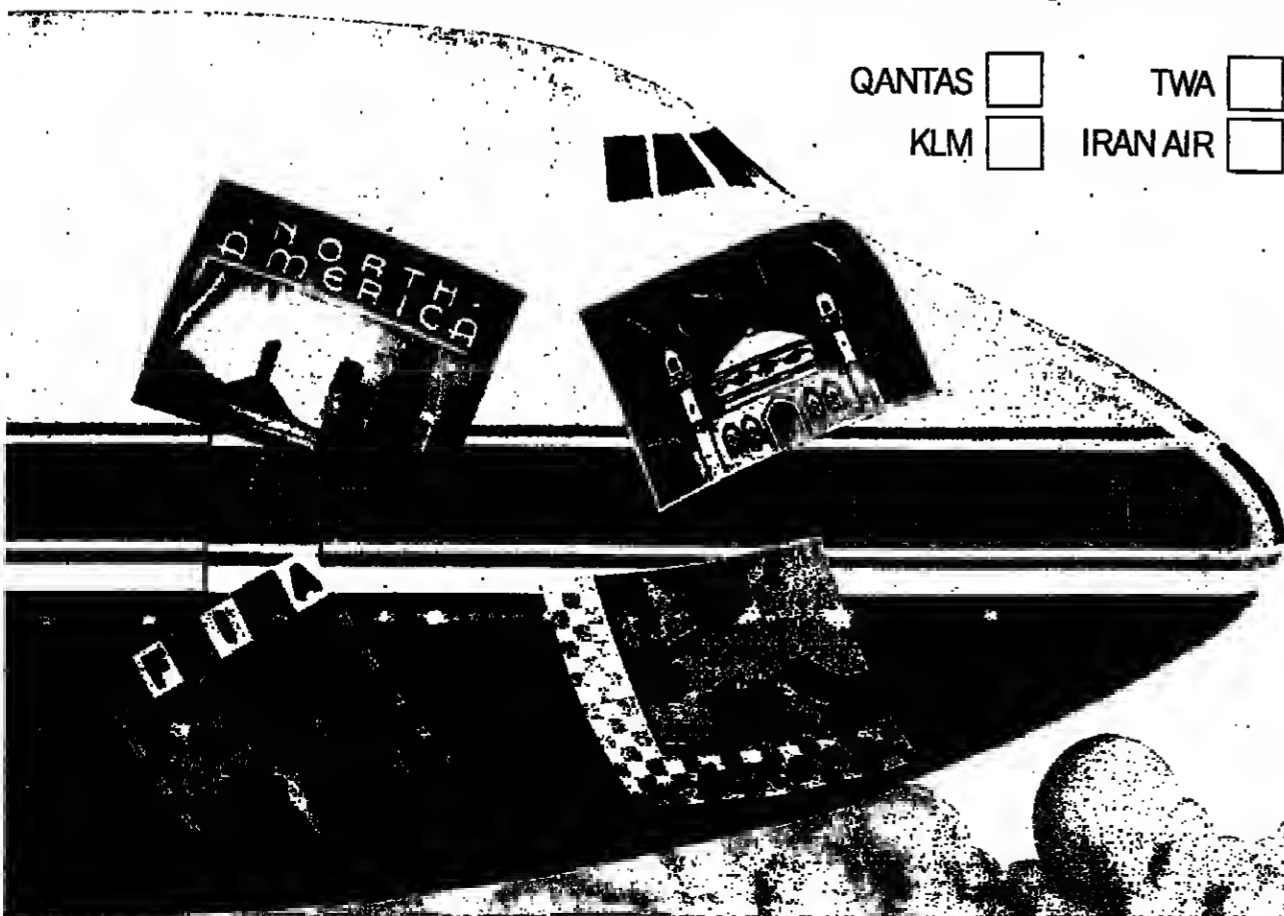
PAN AM  LUFTHANSA  BRITISH AIRWAYS  IRAN AIR

Only one of these airlines has the new high flying 747SP Jumbo, the most comfortable plane in the sky. Which one?



AIR CANADA  AIR FRANCE   
 AIR INDIA  IRAN AIR

There's only one airline in the world that will fly you to four continents in the same plane on the same day. Which is it?



QANTAS  TWA   
 KLM  IRAN AIR

The world's fastest growing airline, believe it or not, is Iran Air. It really is.

For instance, every year for the past five years we've bought more new planes. (This year, we take delivery of three new 747-200Bs. The very latest Jumbo.)

And every year for the last five years we've flown more passengers to more destinations.

So that today you can fly Iran Air to any one of twenty seven major cities throughout the world. (Including, by the way, London, New York, Moscow, Peking, and Tokyo.)

If the flight takes your fancy, Iran Air can also fly you to four different continents, in the same plane on the same day. (Tehran to Cairo, on to Paris, finishing up in New York.)

Quite a hop.

Do it in reverse though, New York to Tehran, and you'll experience one of the longest non-stop scheduled flights ever.

Over 6,200 miles.

A distance covered with ease by Iran Air's new 747SP.

The 'Special Performer' Jumbo.

It flies a mile above normal air routes. A mile above the bad weather.

Making it the most comfortable plane in the air.

And that's not pie in the sky. It's a fact. Like everything else on this page.

**IRAN AIR**  
 The world's fastest growing airline.

ایران ایر



OVERSEAS NEWS

Sauvagnargues to become new French envoy to U.K.

By ROBERT MAUTHNER

PARIS, May 15.

JEAN SAUVAGNARGUES, Embassy in Bucharest in last March's Cabinet reshuffle, which followed the big gains made by the Socialist-Communist alliance in the municipal elections, will shortly undertake a special mission to Latin America...

JAPAN-SOVIET FISH TALKS

Costs and bitter feelings mount

By DAVID SATTER

MOSCOW, May 15.

AN INDICATION of how serious and claims. The refusal of the Soviet-Japanese confrontation Japan to recognise Soviet control over fishing rights has been the principal sticking point...

The dispute has grown out of west Pacific. Negotiations for a Soviet proclamation of a 200 mile fishing zone last December 1977 and a new long-term agreement...

The dispute is having political ramifications, however, which may eventually be almost as disruptive for the Soviet Union. After the failure of the second April 1 Japanese vessels have stayed out of the rich, traditional waters from which...

Thousands mourn Polish student

By CHRISTOPHER BOBINSKI

CRACOW, May 15.

UND 4,000 Cracow students asked people not to participate in the traditional student rag scheduled for this week-end. The boycott was only partially effective...

had hoped to attend this morning's memorial, were detained in Warsaw yesterday and five people have still not been released.

New Finnish Government sworn in

By LANCE KEYWORTH

HELSINKI, May 15.

THE "popular front" Government was sworn in today in through stimulation of investment in export-oriented and import substituting industries.

surprising in view of its unreliable performance in the coalition Cabinet that resigned in September, 1976. The move is likely to deepen the split in the left-centre Cabinet...

Pravda attack on China

By OUR OWN CORRESPONDENT

MOSCOW, May 15.

THE HOPE that Sino-Soviet relations might improve following the death of Chairman Mao Tse-tung has been effectively killed in an explicit editorial in the Soviet Communist Party newspaper Pravda...

The appearance of the editorial eight months after the death of Chairman Mao clearly marks the end of a period which the USSR appeared to try to conciliate the new Chinese leadership...

UCB - Brussels 1976 logo and header

At the meeting held on 14th April, 1977, the Board of Directors approved the accounts for the 1976 financial year.

In his statement last year Baron Janssen expressed the hope that the Group would in 1976 regain its normal development path and rate of profitability...

The strikes at our three main factories in Flanders, one of which lasted for fifty-three days and the two others for thirty-two days, partly nullified the work of these early months.

As a result, the turnover of the UCB Group, expressed in Belgian francs, has only increased by 10% compared with 1974 and has not yet achieved the level of 1974.

FINANCIAL HIGHLIGHTS table with columns for UCB GROUP, 1974, 1975, 1976 and rows for Net Group sales, Cash flow from Trading, etc.

UCB's proportion of table with columns for 1974, 1975, 1976 and rows for Cash flow per share, Depreciation for the year, etc.

Copies of the 1976 Annual Report (in English, French or Dutch) will be available in June and can be obtained on request from:

Tokyo Pacific Holdings N.V. advertisement listing various banks and services.

K-Mart (Australia) Finance Limited 9% Debentures advertisement with redemption notice and coupon list.

Clarke Chapman Limited 1976 Results advertisement showing financial performance and company information.

BY MARY CAMPBELL

OVERSEAS MARKETS

Dollar sectors take a hammering

THE DOLLAR sectors of the Eurobond market took another hammering last week with prices of recent issues in general down anything between a quarter and 1 1/2 points.

By Friday, dealers agreed that the immediate short term outlook was for stabilization. For those who believe that the prices of floating rate notes—because

The general tone of market comment seemed much less pessimistic by Friday with quite a wide range of dealers arguing that the falls had gone far enough and that there were cheap bonds to be picked up.

Among external factors, the main negative influence last week was the further rise in Eurodollar interest rates (see table). The quarter point prime rate increases on Friday, however, had no impact on the market—dealers suggested that they had been discounted in advance.

Thursday night was encouraging. The fire in Saudi Arabia's second largest oil field was far behind the shaper falls to Japanese issues than elsewhere, dealers said.

The main talking point on Friday was the European Economic Community's \$500m financing. Details of the likely terms for this emerged late on Friday afternoon. The formal go-ahead for the financing has still to be given however—it is expected at 10-day's Council of Ministers meeting and the proposal to indicate a discount pricing has yet to be approved by the borrower.

These are less tight than much of the market had feared. The release of an issue is positive effect. The main feeling in the market by Friday, after ten days of suspense, was that the sooner it was over the better.

The financing will be in two tranches, one of \$200m for five years offering an indicated 7 1/2 per cent and the other of \$300m for seven years offering an indicated 7 1/2 per cent, both at discount.

with the seven-year tranche recent large issues. The Ontario Hydro and Volkswagen issues, both of them ten-year

bullet, are perhaps the best indicators: Ontario Hydro's \$120m issue is currently yielding between 8 and 8 1/2 per cent on

its 8 per cent coupon and Volkswagen's \$150m issue just under 8 per cent on a 7 1/2 per cent coupon.

On comparisons such as these, the term of the EEC's issues almost look generous. However, the gap between a decision to sell what one already holds (or a loss incidentally from what one has only just paid, given the time lag between subscription and payment dates) and deciding to buy something newly on offer is particularly wide at present. This is all the more the case for the EEC's two issues since their main feature is their size and the main feature of the market is the volume of paper in the course of being placed.

The choice of management group would make a good case study for anyone training for a job either in the EEC Commission or the Eurobond market. Factors determining the choice of invitees would appear to include Common and Eurobond Market policies plus pricing power, safety-net and trading considerations. Factors point to the same group—or else presumably the management group would have had to be twice as large.

The three lead managers, as expected, are as follows: Deutsche Bank for tradition and Germany and good digestion; Paribas for France, Warburgs and avoiding a battle between the

three French nationalised banks; and Credit Suisse White Weld for Swiss placing power under a British roof.

The co-managers invited include the two other big Swiss banks, the three other big German banks, the three nationalised French banks, the 16 Warburgs, Samuel Montagu (owned by Midland) and County Bank (owned by National Westminster) from Britain, the two biggest Dutch banks, Banco Commerciale Italiana, Kredietbank Luxembourgeoise Société Générale de Banque, Kidder Peabody and Salomon Brothers.

If I were a Ruritanian consortium bank with placing power in Idaho I'd complain.

The other main development on Friday was Société Générale's withdrawal of its scheduled \$75m tranche. An undisclosed source of the problem of the impact of rising money market rates on demand for its issue from 6 1/2 to 7 per cent.

The Société Générale was the

second issue to be withdrawn. Earlier in the week, Quebec Hydro had postponed its proposed \$50m issue when the

further deterioration in market conditions made it uncertain whether even an increase in the coupon by half a point to the 8 per cent level expected by the market before the issue was formally announced would be sufficient to make it a success.

The Québec Hydro's \$50m issue has a seven-year maturity with an option for the borrower to redeem after five, not a bondholder as stated in Friday's paper.

With the Sines issue closing to-day—a change in terms is expected and the issue has been placed mostly in the banking sector—the volume of U.S. dollar issues on offer after the EEC in the market will be less than \$200m. The Olycom issue has a seven-year maturity with an option for the borrower to redeem after five, not a bondholder as stated in Friday's paper.

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Table with columns: Borrowers, Amount \$m, Maturity, Av. life, Coupon, Price, Offer yield %.

RISES IN EURO & INTEREST RATES

Table with columns: Term, Rate, Last, Last week, Last year.

Indices

Table with columns: Index Name, Date, Value, Change.

GERMANY

Table with columns: Stock Name, Price, Change.

JOHANNESBURG

Table with columns: Stock Name, Price, Change.

AUSTRALIA

Table with columns: Stock Name, Price, Change.

PARIS

Table with columns: Stock Name, Price, Change.

VIENNA

Table with columns: Stock Name, Price, Change.

OVERSEAS SHARE INFORMATION

Large table with columns: Index Name, Date, Value, Change.

INVESTMENT PREMIUM BASED ON \$2.60 PER £1—120% (120/100)

Table with columns: Index Name, Date, Value, Change.

AMSTERDAM

Table with columns: Stock Name, Price, Change.

TOKYO

Table with columns: Stock Name, Price, Change.

NOTES: Overseas prices exclude premium. Basis: domestic currency.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Main table listing various unit trusts and offshore funds with columns for fund names, managers, and performance metrics.

FINANCIAL TIMES STOCK INDICES

Table showing stock indices for various regions including London, New York, and Hong Kong.

HIGHS AND LOWS S.E. ACTIVITY

Table detailing high and low stock prices and South East activity.

FT-100 ACTIVITY

Table showing FT-100 activity and related market movements.

HONG KONG SINGAPORE STOCKS

Table listing stock prices for Hong Kong and Singapore markets.

INSURANCE, PROPERTY, BONDS

Large table listing insurance, property, and bond products with details on coverage and rates.

Notes and additional information at the bottom of the page.



HOME NEWS

Inflation threatens industrial recovery

Anthony Harris
RATE of inflation and the Government's credit...

they say, no sustained inflation recovery is likely until...

Team rail plea

1,000 APPEAL was launched a week-end by steam train...

Drop new pension Bill, Methven tells Ennals

BY MICHAEL LAFFERTY

THE GOVERNMENT should abandon the proposed Bill which would give trade unions...

gestions that trade unions intended to ask the Government...

that all members of schemes should have the opportunity...

Pension funds in the U.K. have investments now worth about £20bn...

Partnership

Mr Methven claims that most employees and pensioners are opposed to the Government's plans.

Abandonment of the Bill would allow employers, employees, and the pensions industry...

Under the new regulations, which will remove much of the secrecy...

The regulations in turn will be required initially within 15 working days...

The regulations bring into effect provisions of the Act which allow courts to reopen any credit agreements...

This provision applies to all agreements where the debtor is an individual, regardless of when the agreement was made.

Aged 'should have 22% rise' says Age Concern director

BY ERIC SHORT

A MINIMUM rise of 22 per cent in old age pensions in November...

ning at 16 per cent, in the six months to March the increase was 9 per cent.

reinforced the arguments for a 18 per cent inflation rate.

In addition, a 4 per cent real increase in income was the minimum that pensioners could expect on top of providing for inflation.

Therefore there should be a rise of 22 per cent, bringing pensions for single persons to £19 per week and to £30 for married couples.

Courts get new credit powers

By Our Consumer Affairs Correspondent

THE provisions of the Consumer Credit Act, which will allow people to check and correct information held about themselves by credit reference agencies...

At the same time, courts take on new powers to protect borrowers against exorbitant charges of other contraventions of fair dealing.

The agencies in turn will be required initially within 15 working days, to give consumers copies of files relating to them and, if appropriate, to correct any inaccurate entry prejudicial to the consumer.

The regulations bring into effect provisions of the Act which allow courts to reopen any credit agreements which mean that the borrower is having to pay an exorbitant rate of interest...

This provision applies to all agreements where the debtor is an individual, regardless of when the agreement was made.

SUMMER SCHOOL '77

ACCOUNTING AND FINANCIAL MANAGEMENT FOR NON-FINANCIAL EXECUTIVES

11-22 JULY, 1977

A two-week course arranged by the Financial Times and The City University, London

- John Chairmen: Mr A W Johns, Formerly Finance Director, Unigate Limited. Mr S R Harding, Director, Hill Samuel & Co Limited. Lecturers to include: Mr C I Ball, Chairman, Barclays Merchant Bank Limited. Mr E W Barnes, Senior Partner, Price Waterhouse Associates. Professor P A Bird, Professor of Accounting, University of Kent at Canterbury. Mr J Lewis Brown, Consultant Lecturer, The City University Business School. Professor M Bromwich, Sr Julian Hoag Professor of Accounting, University of Wales Institute of Science and Technology. Mr A P Burnham, Director, Cooper & Lybrand Associates Limited. Mr David C Osmant, President, European Federation of Financial Analysts Societies. Mr P R Davies, Accountancy Lecturer, The City University Business School.

The fee for the course is £378.00 (including VAT) covering two receptions, a dinner and conference documentation.

To be completed and returned to: The Financial Times Ltd, Conference Organisation, 388 Strand, London WC2R 0LT. Telephone: 01-836 5444. Telex: 27347. Please register me for the SUMMER SCHOOL '77 COURSE. BLOCK CAPITALS PLEASE.

Registration form with fields for Name, Title, Company, Address, and a section for enclosing a cheque for £378.00.

Freddie Laker wins award for enterprise

THE 1977 National Free Enterprise Award, sponsored by the Aims for Freedom and Enterprise this year goes to Mr. Freddie Laker, chairman of Laker Airways.

Other awards are made to Mr. Christopher Bailey, chairman of C. H. Bailey, Mr. Bernard Bulpin, one of the shop stewards who supported Mr. Bailey in his fight against nationalisation, Mr. Patrick Hutber, city editor of the Snoddy Telegraph, and Mr. John Deftmer, retiring director general of the Economic League. A posthumous award has been made to Mr. Tibor Szamuely, the Scottish award goes to Mr. W. R. Alexander, chairman of Scotros Limited and of Walter Alexander (Coachbuilders).

Advertisement for Bougainville Copper Finance N.V. and Bougainville Copper Limited. Features a large figure of \$25,000,000 and a list of 50+ international banks and financial institutions.

Advertisement for Société Française du Tunnel Routier du Fréjus. Features a guaranteed loan of Dfls 55,000,000 due 1983/1997, guaranteed by the French State.

Advertisement for Wheelabrator-Frye Inc. and Berger Maschinenfabriken GmbH & Co., KG. Features CHEMICAL BANK Corporate Finance Group - Europe, 85, avenue Marceau - 75116 Paris.

Henry Boot Great people to build with Henry Boot Construction Limited, Dronfield, Sheffield S18 6XR

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

Table of British Funds with columns for Fund Name, Price, Dividend, and Yield. Includes sub-sections for 'Shorts' and 'Over Fifteen Years'.

INTERNATIONAL BANK

Table of International Bank shares with columns for Share Name, Price, and Dividend.

CORPORATION LOANS

Table of Corporation Loans with columns for Loan Name, Price, and Dividend.

CONVULSANTS & AFRICAN LOANS

Table of Convulsants & African Loans with columns for Loan Name, Price, and Dividend.

LOANS (Miscel)

Table of Miscellaneous Loans with columns for Loan Name, Price, and Dividend.

FOREIGN BONDS & RAIS

Table of Foreign Bonds & Rais with columns for Bond Name, Price, and Dividend.

AMERICANS

Table of American shares with columns for Share Name, Price, Dividend, and Yield.

CANADIANS

Table of Canadian shares with columns for Share Name, Price, Dividend, and Yield.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase shares with columns for Share Name, Price, Dividend, and Yield.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits shares with columns for Share Name, Price, Dividend, and Yield.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building Industry, Timber and Roads shares with columns for Share Name, Price, Dividend, and Yield.

BUILDING INDUSTRY - Continued

Table of Building Industry shares (continued) with columns for Share Name, Price, Dividend, and Yield.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics shares with columns for Share Name, Price, Dividend, and Yield.

CINEMAS, THEATRES AND TV

Table of Cinemas, Theatres and TV shares with columns for Share Name, Price, Dividend, and Yield.

DRAPERY AND STORES

Table of Drapery and Stores shares with columns for Share Name, Price, Dividend, and Yield.

DRAPERY AND STORES - Continued

Table of Drapery and Stores shares (continued) with columns for Share Name, Price, Dividend, and Yield.

ELECTRICAL AND RADIO

Table of Electrical and Radio shares with columns for Share Name, Price, Dividend, and Yield.

ENGINEERING, MACHINE TOOLS

Table of Engineering and Machine Tools shares with columns for Share Name, Price, Dividend, and Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, Etc. shares with columns for Share Name, Price, Dividend, and Yield.

ENGINEERING - Continued

Table of Engineering shares (continued) with columns for Share Name, Price, Dividend, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers shares with columns for Share Name, Price, Dividend, and Yield.

INDUSTRIALS (Contd.)

Large table of Industrial shares with columns for Share Name, Price, Dividend, and Yield.

Handwritten scribble at the bottom of the page.

Serving the world with financial expertise. SANWA BANK Tokyo, Japan

INDUSTRIALS - Continued. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo American, Anglo Coal, Anglo Oil.

MOTORS, AIRCRAFT TRADES. Table with columns: Stock, Price, Dividends, etc. Includes companies like BSA, BSA Finance, BSA Insurance.

PROPERTY - Continued. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Property, Anglo Land.

TRUSTS - Continued. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Trust, Anglo Investments.

MINES - Continued. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Mines, Anglo Metals.

OVERSEAS TRADERS. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Overseas, Anglo International.

RUBBERS AND SISALS. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Rubber, Anglo Sisal.

TEAS. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Tea, Anglo Coffee.

INDIA AND BANGLADESH. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo India, Anglo Bangladesh.

AFRICA. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Africa, Anglo South Africa.

MINES - CENTRAL RAND. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Rand, Anglo South Africa.

MINES - CENTRAL AFRICAN. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Central, Anglo Africa.

AUSTRALIAN. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Australia, Anglo Resources.

COPPER. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Copper, Anglo Metals.

MISCELLANEOUS. Table with columns: Stock, Price, Dividends, etc. Includes various other companies.

NOTES. Text providing information on various notes and financial instruments.

TEAS - India and Bangladesh. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Tea, Anglo Coffee.

AFRICA. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Africa, Anglo South Africa.

MINES - CENTRAL RAND. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Rand, Anglo South Africa.

EASTERN RAND. Table with columns: Stock, Price, Dividends, etc. Includes companies like Anglo Rand, Anglo South Africa.

REGIONAL MARKETS. Table with columns: Stock, Price, Dividends, etc. Includes regional market data.

